



CITY OF VALLEJO

FY 2020-21 REVENUE REPORT

Year End // JULY 2020 - JUNE 2021

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OVERVIEW

This revenue report summarizes the City's General Fund revenue for Fiscal Year 2020-21. The purpose of this report is to provide City Council, City Management, and the Vallejo community an update on the City's revenue status based on the most recent financial information available.

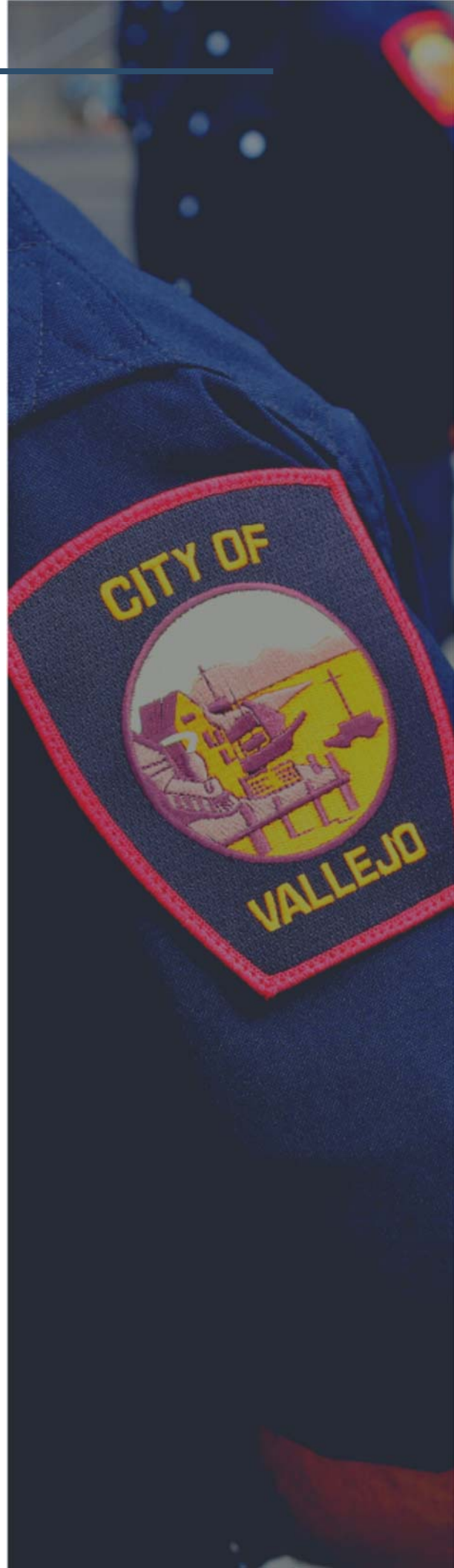
The General Fund is the chief operating fund of the City, accounting for about 50% of the City's total budget. The General Fund is used to account for all financial resources except those required to be accounted for in other funds. These other funds consist of various Special Funds and Enterprise Funds. Special Funds are restricted in purpose and Enterprise Funds are comprised of user fees.

The General Fund is distinct from other funds because it is the only source of unrestricted funds that can be allocated, at the direction of the City Council, for any municipal purpose.

The charts presented in this report include year-over-year comparisons between the current fiscal year and the previous three fiscal years.

This report contains information available at the time of publication; however, this report is not an audited financial statement and the numbers provided herein are preliminary and subject to change based on our final audit results.

This report is divided into three major parts. First is the overview of General Fund Revenue. The second section details the City's taxes and other revenue. The final section covers the Program Revenues with its three major revenue categories of note.

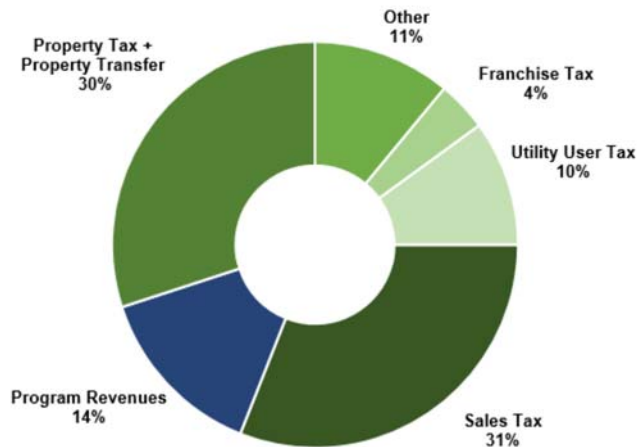


GENERAL FUND REVENUE

General Fund revenue primarily consists of taxes and program revenue. Program Revenue is comprised of various fees and grants received by the city.

The City categorizes the General Fund revenue into two big buckets. The first is the combination of taxes and other revenue, which make up 86% of the budget. The second is the program revenue, which makes up 14% of the budget.

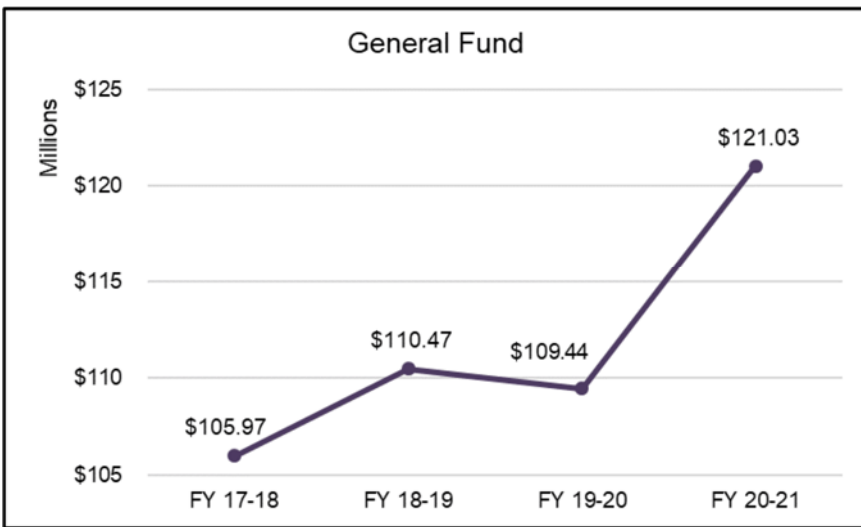
Major sources of General Fund revenue are shown below:



Where we are
TODAY

The City’s revenue improved substantially compared to a year ago when totals dropped markedly while the pandemic was in full force.

Overall, the City’s general revenue increased by \$11.59M, or 11%, compared to the previous fiscal year. The City’s key revenue streams, Sales Tax and Property Tax, outperformed budgeted expectations while the City experienced decreases in areas such as Transient Occupancy Tax and Business License Fees due to the COVID-19 pandemic.



86% of the total General Fund revenue budget is comprised of the following major tax revenue sources (unrestricted revenues):

- Sales Tax
- Property Tax
- Franchise Tax
- Utility User Tax
- Other

Sales Tax and Property Tax are the largest individual sources of General Fund revenues, representing a combined 61% of the total. These and other major sources of revenues are described on the following pages.



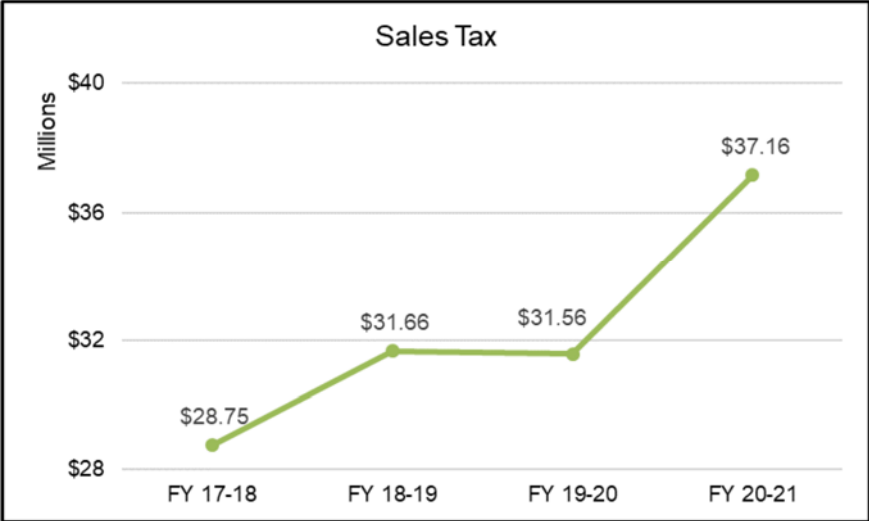
Photo Credit: S. Quinn

TAX AND OTHER UNRESTRICTED REVENUE

Sales Tax

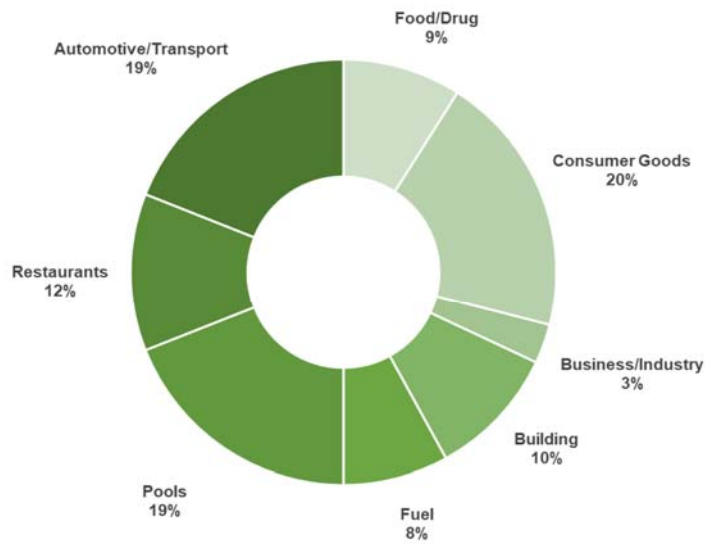
The pandemic has accelerated the shift towards a more digital world and triggered changes in online shopping behaviors that are likely to have lasting effects.

General consumer goods sales tax revenue increased as a result of California's new online sales tax collection law, [AB 147](#), which addresses a longstanding issue with the rapid growth of online sales, and the corresponding under-collection of local sales and use tax.



General retail welcomed back walk-in shoppers; apparel, electronics and specialty stores had higher numbers than last year. Building materials performed well despite extraordinary spikes in lumber prices. Some of the best performers were autos, online purchases, and gas stations. Fully opened establishments pushed Sales Tax to increase \$5.6M, or 18%, versus prior year.



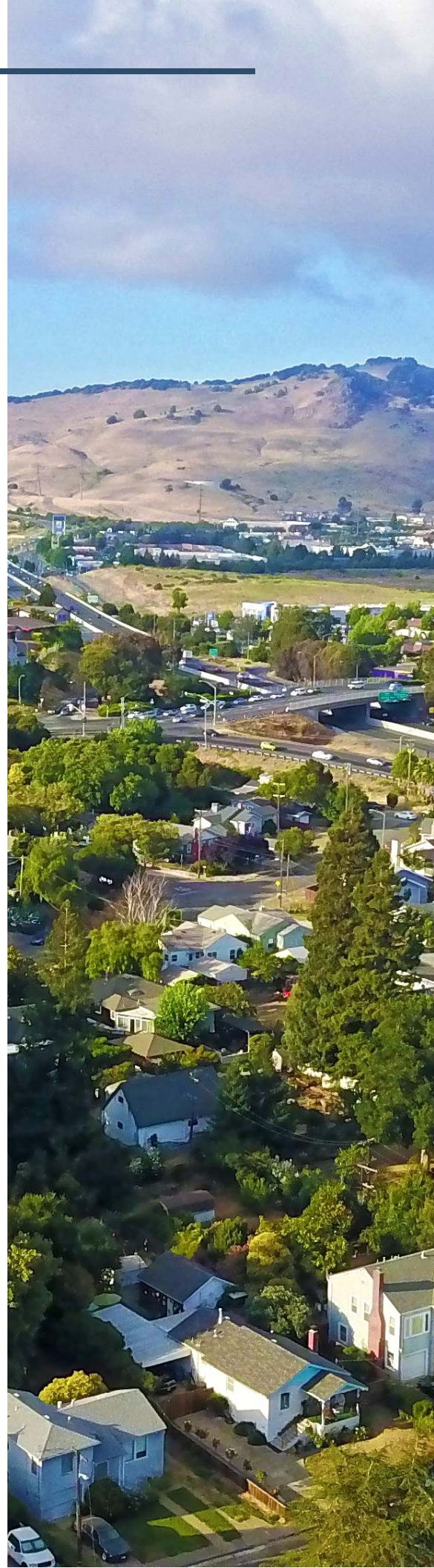
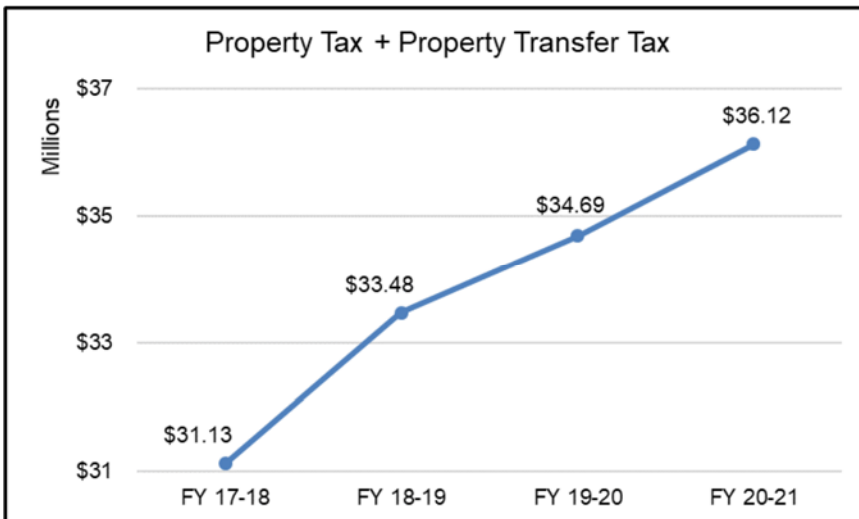


REVENUE BY BUSINESS GROUP

Property Tax + Property Transfer Tax

Property tax is based on the assessed value of property. Due to Prop. 13, assessments may increase up to two percent each year, without change of ownership. The City receives property tax payments from Solano County three times per year: December, April, and June.

Property Transfer Tax is applied to recorded documents with a change in ownership, for example: purchases, parent to child transfer, gift on outstanding loan, etc.



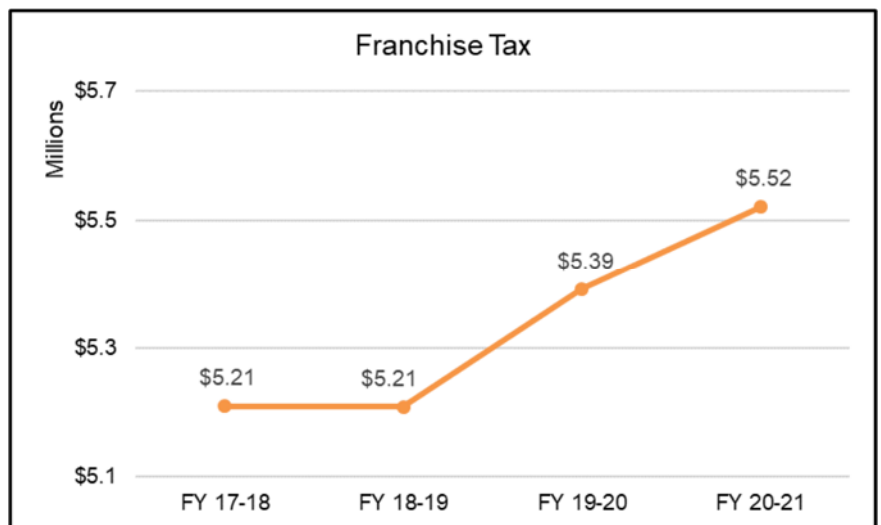
Property tax revenue continues to see strong growth year-after-year, due to the steady growth of property values.

Property Tax increased by \$1.43M, or 4%, as a result of buyers taking advantage of increased purchasing power, and low mortgage rates. Vallejo's median sale prices of detached single-family residential homes increased by 11.71%, from \$452,500 in January 2021 to \$505,500 in August 2021.

Franchise Tax

Franchise Tax charges are imposed on cable television, fuel, and garbage services for "rental" of City streets and right-of-way. These taxes are collected by the franchise holders based on revenues, and then remitted to the City.

Franchise Tax increased by \$128,000, or 2%, from the previous fiscal year. This revenue fluctuates year-over-year based on customer base expansion, additional services used, consumer rate changes and current contracts in place.



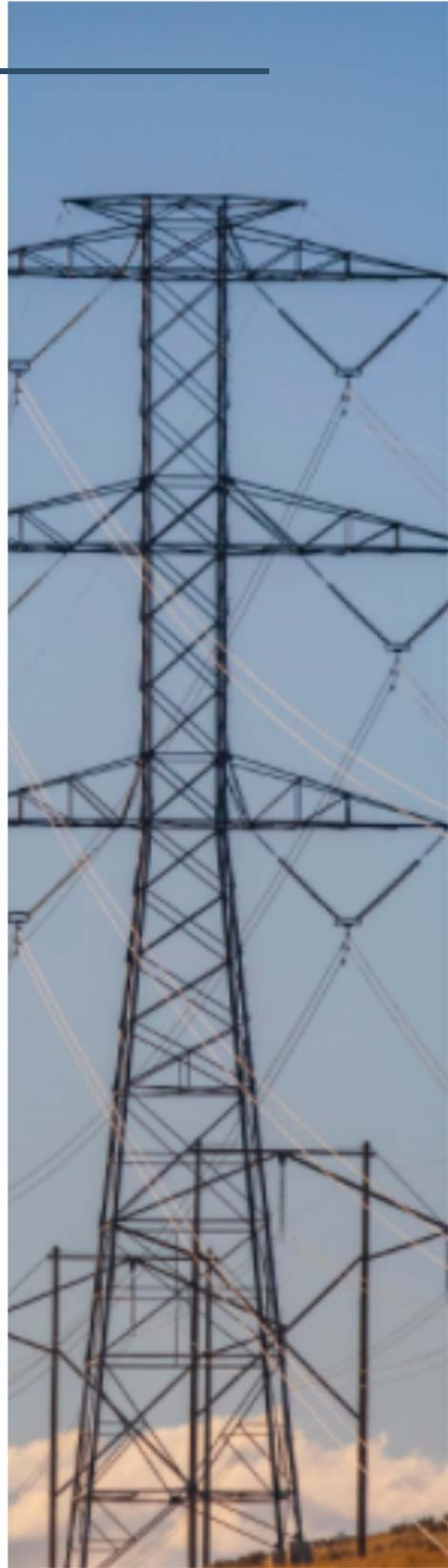
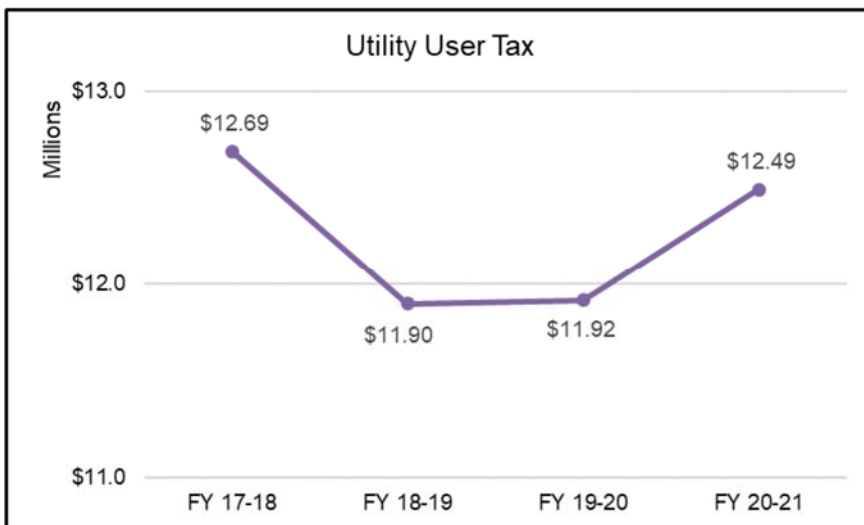
Utility User Tax

Overall, the city had an increase in Utility User Tax of \$576,000, or 5%, compared to last fiscal year.

Gas and Electric Utility User Tax revenue increased by \$903,000. This is due to businesses reopening, employees utilizing a hybrid telework and in-office work schedule, causing a higher rate of consumption.

Cable Utility User Tax revenue decreased by \$67,000, as many subscribers opted for free or reduced-rate online streaming platforms, over traditional cable service providers.

Telephone Utility User Tax revenue decreased by \$260,000, as a result of several factors, including: market competition, fewer residents utilizing landlines, and the reallocation of bundled voice, text, and data packages from providers. These trends created a shift towards data which is not taxable.



OTHER REVENUE

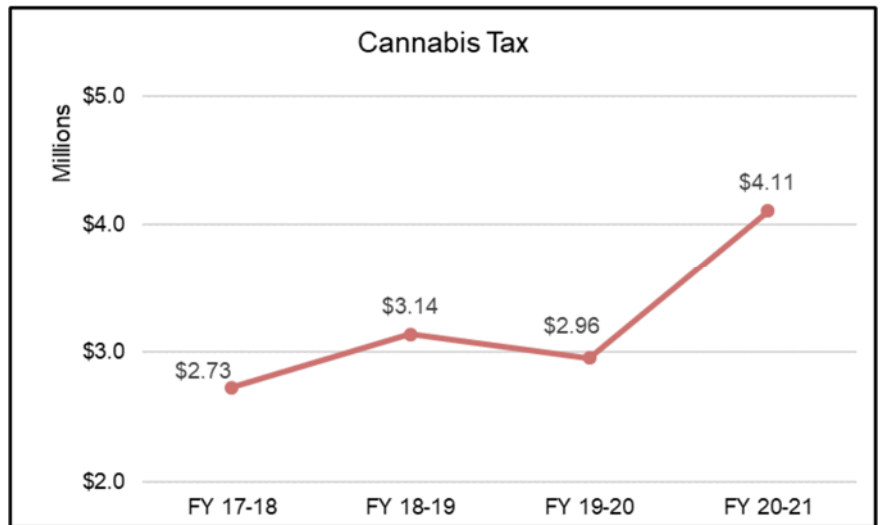
Other revenue when combined makes up 11% of the total General Fund revenue. Some sources of note are Cannabis and Transient Occupancy Tax.

Cannabis Tax

Cannabis Tax has seen growth almost every year since inception, except for last year.

Cannabis Tax increased by \$1.15M, or 39%, from the previous fiscal year.

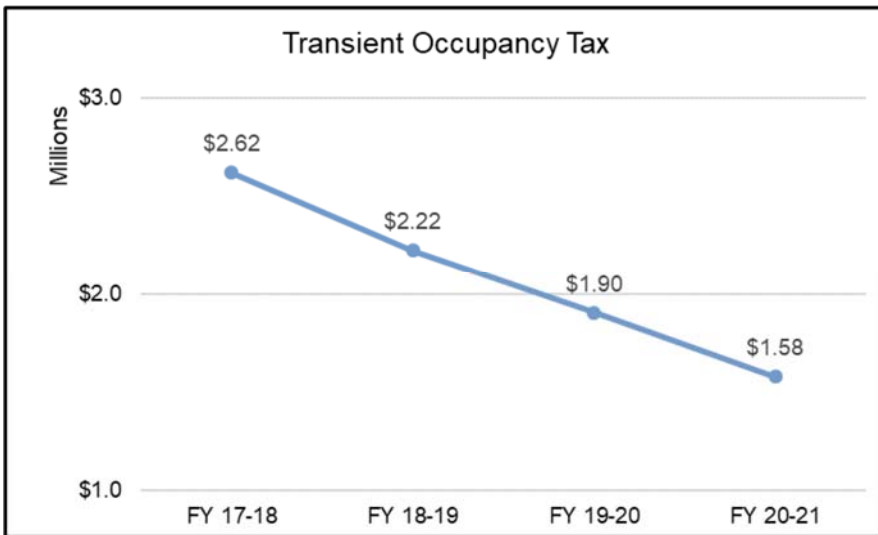
An audit of cannabis businesses by [HdL](#) combined with dispensary payments of prior year taxes resulted in an increase of \$627,000.



Transient Occupancy Tax (TOT)

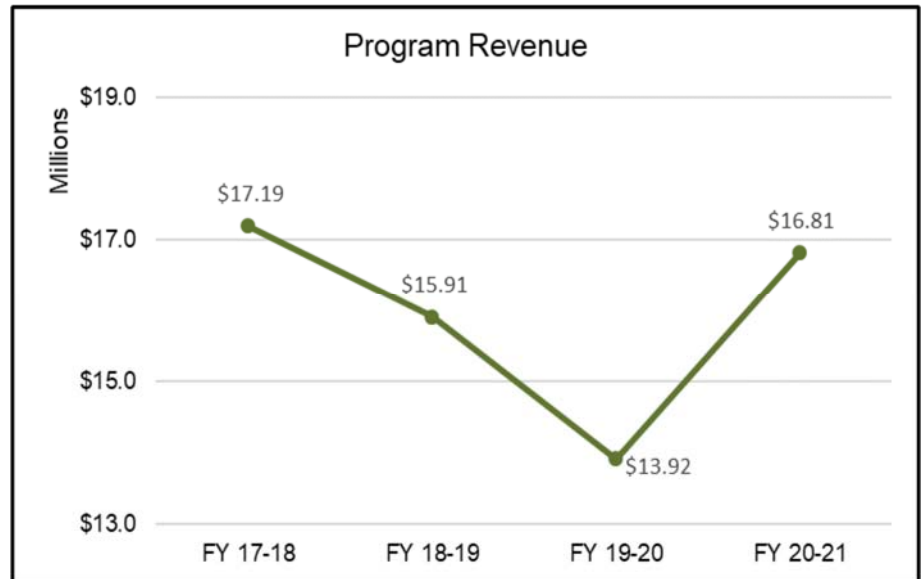
As a direct result of COVID-19, Transient Occupancy Tax decreased by \$326,000, or 17%, compared to Fiscal Year 19/20.

The drop was a combination of hotels not seeing regular tourism occupancy rates and participation of some hotels in Project Room Key, which assisted with housing for homeless populations.



PROGRAM REVENUE

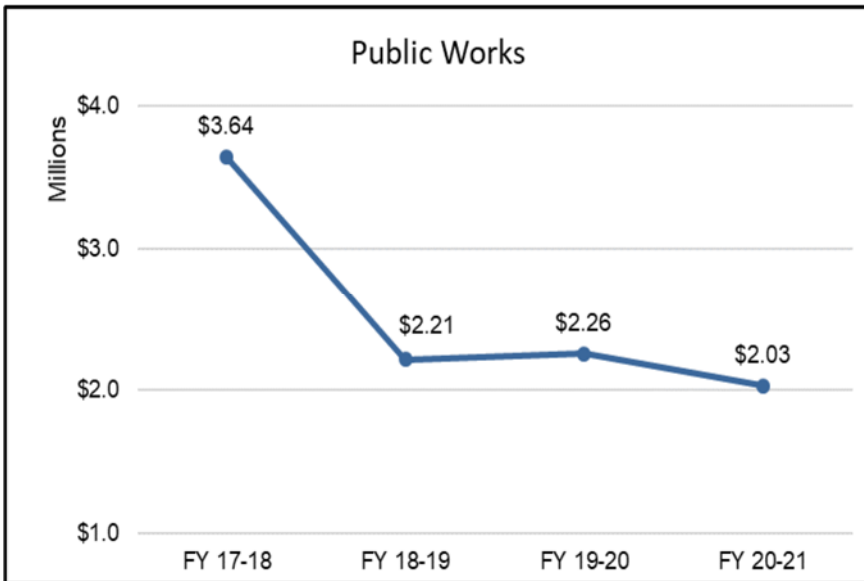
The City received two major grants in FY 2020-21: COPS grant (Citizens Option for Public Safety) awarded to the Police Department and the SAFER grant (Staffing for Adequate Fire and Emergency Response) to the Fire Department. These grants compensated for the declining program revenue during COVID-19.



Program revenue of note includes revenue from Public Works and Planning and Development Services described in the following pages.

Public Works

The majority of revenue received by the Public Works Department consists of fees from [Recology](#), as well as various engineering fees. The City collects various fees from Recology to support recycling and illegal dumping mitigation. Engineering fees are charges for plan reviews and inspection of permitted construction activity, as well as for private development.



Engineering revenues have decreased by \$225,000, or 10%, versus the prior year, due to the pandemic. Fewer larger projects were started within the City which required engineering review or inspection.



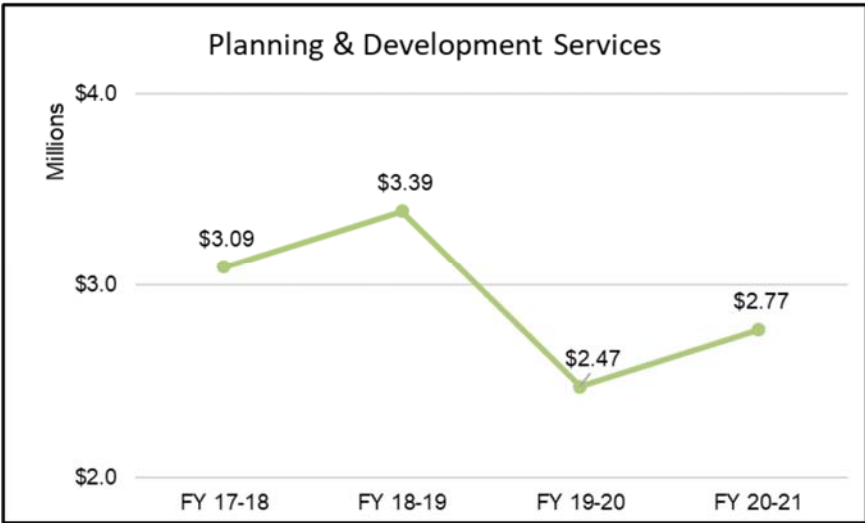


Planning & Development Services

The Planning & Development Services (P&DS) Department consists of the Building and Planning Division.

The Building Division receives fees to administer, process, plan check, grant permits, and perform inspections, in order to enforce building codes to preserve and protect the public health and safety.

The Planning Division receives fees to update the General Plan* which partially offsets the cost of processing planning applications and the cost of guiding the development through the Zoning Code, which requires various planning entitlements for development.



P&DS revenue increased by \$296,000, or 12%, versus the prior year as applicants slowly begin to start on projects that were on hold during the pandemic. The greatest increase was in the number of Accessory Dwelling Unit applications.

*The City of Vallejo’s General Plan is a description of how the City intends to develop. It establishes the goals and policies related to the Vallejo planning area. It is used as a point of reference by public officials when making decisions on subdivisions, capital improvements, neighborhood rehabilitation and public acquisition. The plan serves primarily as a policy document, with each goal area within the Plan having several policies that aim toward achieving the goal.

CONCLUSION

FY 2020-21 general revenue was difficult to forecast due to the unpredictability of the Covid-19 pandemic and the effects of the Shelter-In-Place directive issued by Governor Newsom.

As consumers flocked back into retail locations, the City saw surprising growth in Sales Tax. Many restaurants reopened indoor dining this fiscal year. It appears the desire to get back out and return to normalcy contributed to a strong, much needed rebound.

Overall, the City's general revenue increased by \$11.59M, or 11%, compared to previous fiscal year.

This is a summary of the City's year end revenue from July 1, 2020 through June 30, 2021.

For additional details and questions, please feel free to email City's Finance Department at finance.dept@cityofvallejo.net





CITY OF VALLEJO // FINANCE DEPARTMENT

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