Item No: 10.4

Report to the City Council
Council Meeting of October 11, 2016

Agenda Section: **New Business**

Subject: **Report to City Council on Sales Tax Trends**

CEQA Determination: **Not a CEQA project**

Prepared By: **April Mitts, Finance Director**

Approved By: NJH for **Jennifer Phillips, City Manager**

BACKGROUND

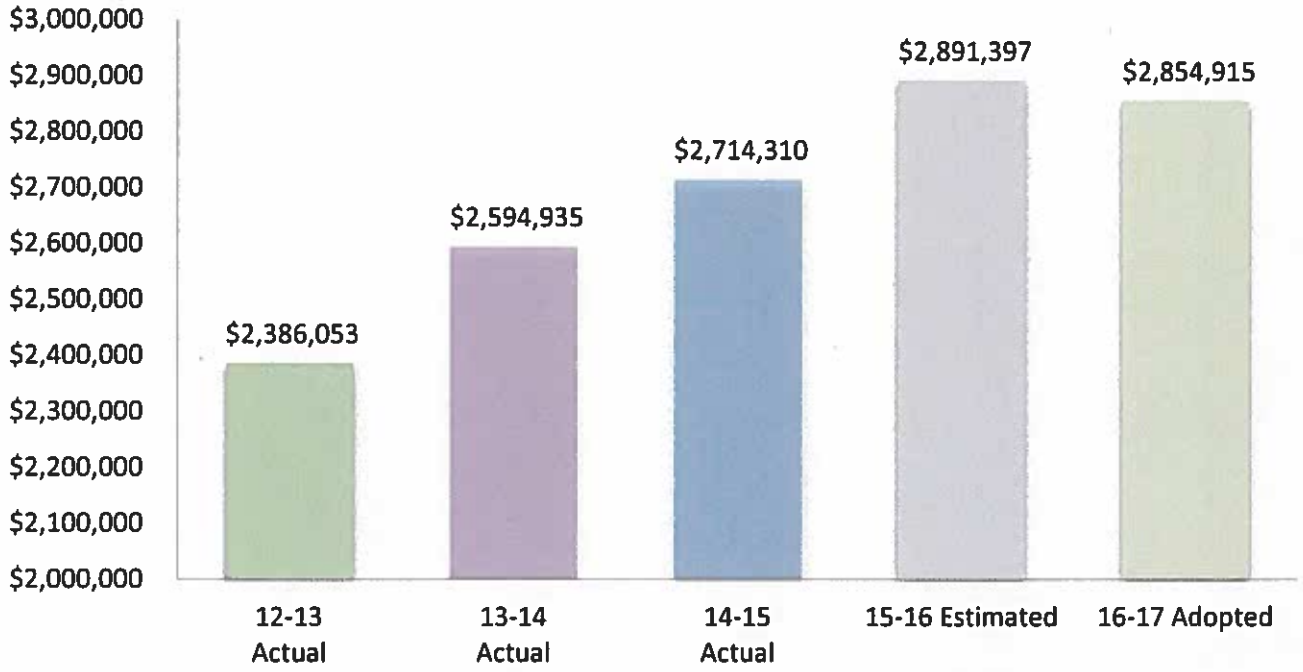
At the August 23, 2016 City Council meeting staff was asked to provide information on Sales Tax Trends in the City of St. Helena.

DISCUSSION

The General Fund has several sources of revenues. The three highest revenue sources for the General Fund consist of: Property Tax, Sales Tax, and Transient Occupancy Tax (TOT). For FY 16/17 it is estimated Sales Tax revenue will total $2,854,915, which is 27% of all revenues collected for the General Fund.

Historically Sales Tax revenues have been increasing over the past few years for the City of St. Helena as indicated in Chart 1. Although a slight drop in Sales Tax revenues is anticipated for FY 16/17 this is not a result of declining sales predictions but due to a one-time payment received in FY 15/16 as a part of the sunset of the triple-flip, which was a decade-old mechanism affecting state and local finances in California. During the first year of the triple flip, cities and counties received monies equal to only three-quarters worth of taxable sales that occurred in that year. Partial monies received only occurred in the first year and in subsequent years' cities received the full amount due. In order to hold cities and counties harmless, ending the triple flip required one additional quarter of ERAF transfer to cities and counties to make-up for the first year where only three-quarters was received. As noted above, this final one-time payment was received in FY 15/16.

Chart 1 – St. Helena Historical Sales Tax Revenues

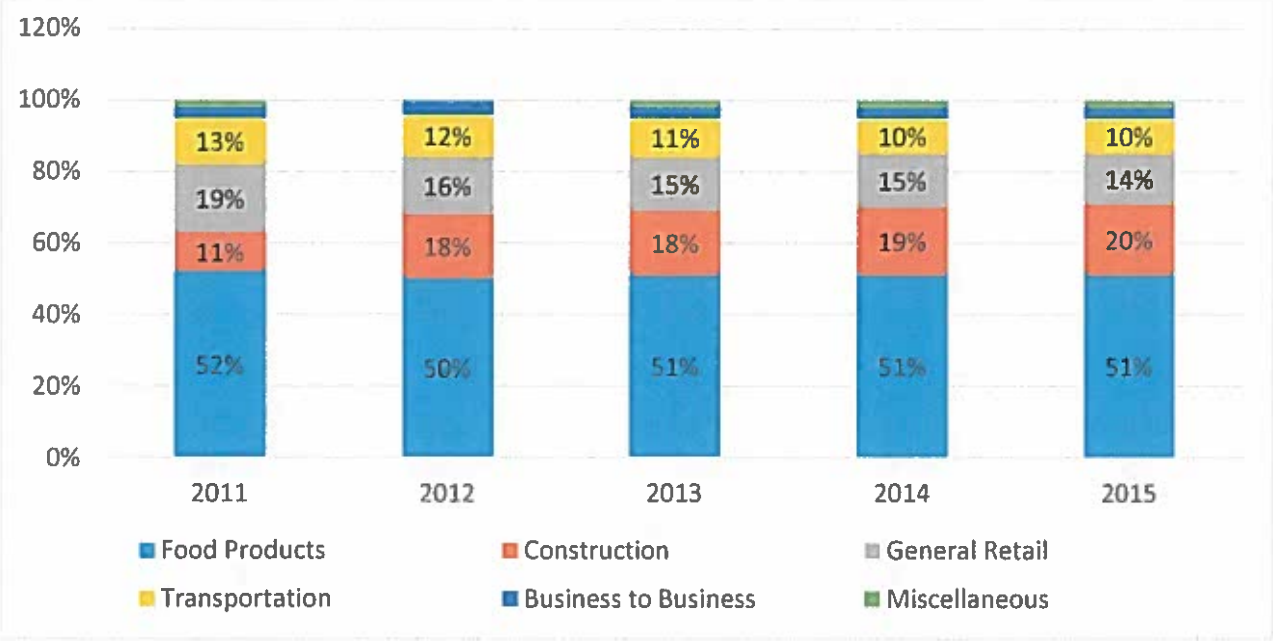


The City of St. Helena contracts with MuniServices to provide sales tax revenue forecasting as well as compile quarterly sales tax reports which are posted to the City's website in the following location: http://cityofsthelena.org/content/finance-utilities.

Information from Muniservices includes information by BUSINESS CATEGORY, Economic Segment, and business segments. BUSINESS CATEGORY is the broadest of all categories and is CAPITALIZED throughout this report. The second group, Economic Segment, is a sub-set of each BUSINESS CATEGORY, the first letter is Capitalized throughout this report. The third, and final segment is called the business segment and is a sub-set of the Economic Segment, these are written in lowercase letters throughout this report. It is important to note the City of St. Helena may not have businesses in many of the areas listed. Attachment 1 provides details on what is included in the BUSINESS CATEGORY, Economic Segment, and business segment.

Chart 2 shows the 5-year trend in St. Helena for the BUSINESS CATEGORY. The highest sales tax generator by BUSINESS CATEGORY is FOOD PRODUCTS, followed by CONSTRUCTION, and GENERAL RETAIL.

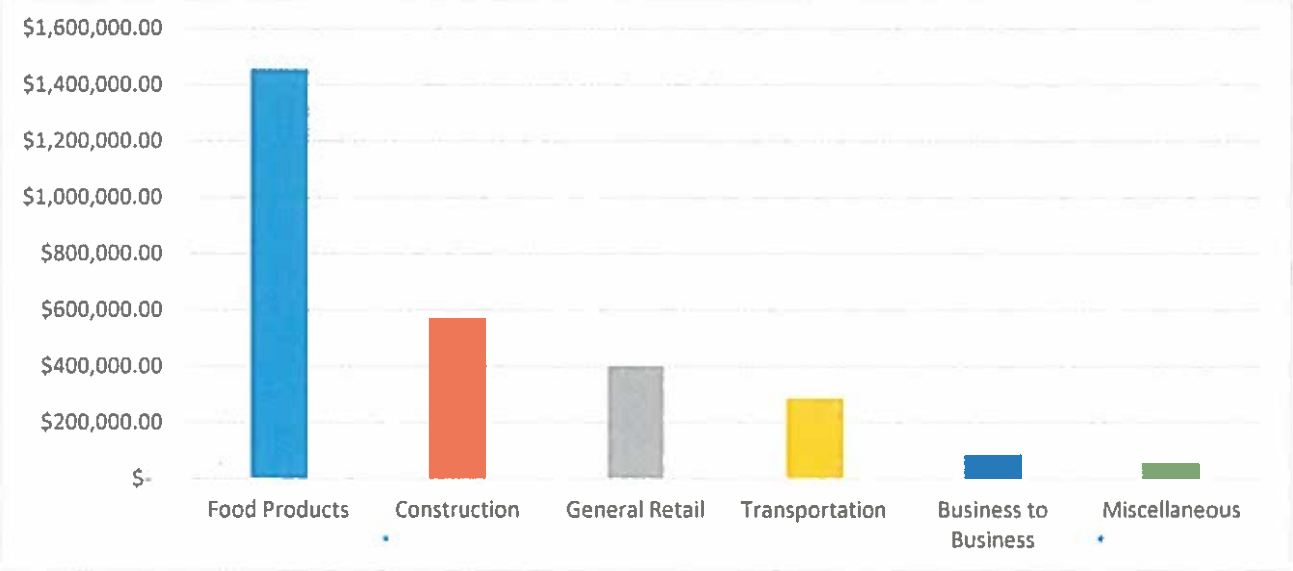
Chart 2 – BUSINESS CAGEGORY TRENDS – St. Helena Sales Tax



The highest sales tax generator for St. Helena is FOOD PRODUCTS, this category has a 5-year average of 51% of total sales tax revenues received and has remained steady over the past 5 years. The second highest sales tax revenue generator for the BUSINESS CATEGORY is CONSTRUCTION which has a 5-year average of 17% and has had a slight increase in activity since 2011. The third highest revenue generator is GENERAL RETAIL which has a 5-year average of 16% and has experienced a slight decline over the past 5 years.

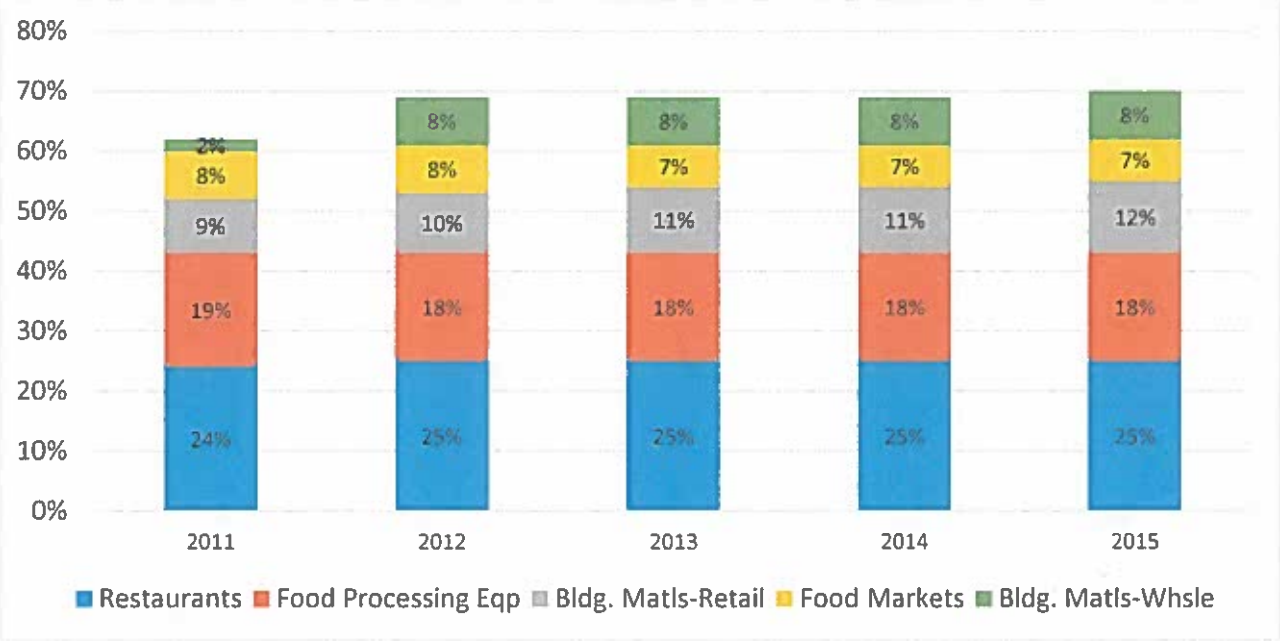
Utilizing information presented above, Chart 3 shows the projections of how much in Sales Tax is estimated to be collected in FY 16/17 by BUSINESS CATEGORY.

Chart 3 - FY 16/17 Sales Tax Estimates by BUSINESS CATEGORY



In further examining sales tax trends for St. Helena, staff examined Economic Segments. Chart 4 shows the top 5 Economic Segments for St. Helena. Three of the top 5 Economic Segments are part of the larger BUSINESS CATEGORY of Food Products – these are: (1) Restaurants, (2) Food Processing Equipment, and (3) Food Markets. It is important to note that the Economic Segment titled, "Food Processing Equipment" is comprised of wineries.

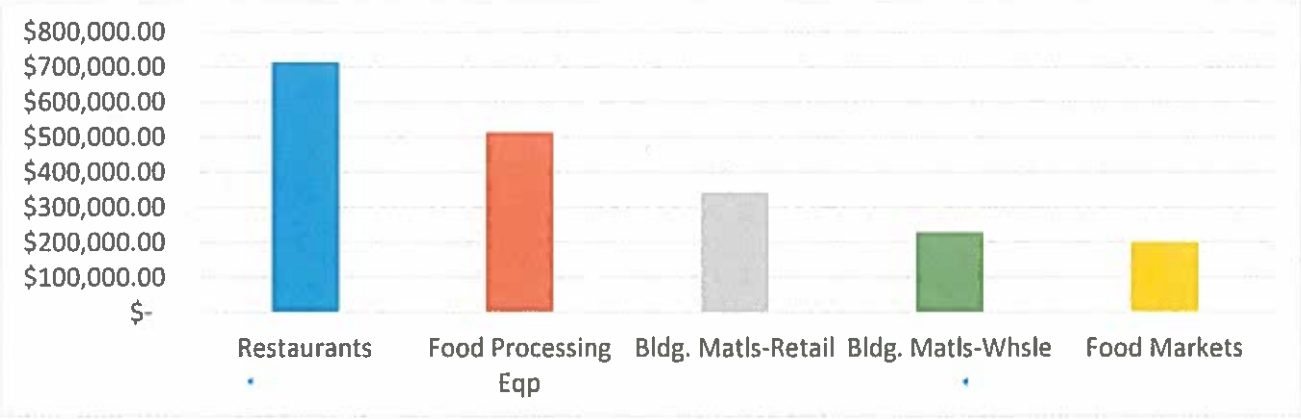
Chart 4 – Economic Segment Trends – Top 5 St. Helena Sales Tax



The five main Economic Segments: (1) Restaurants, (2) Food Processing Equipment (Wineries), (3) Building Materials – Retail, (4) Food Markets, and (5) Building Materials - Wholesale have remained consistent over the past 5 years.

Utilizing information presented above, Chart 5 shows the projections of how much in Sales Tax is estimated to be collected in FY 16/17 by the top five Economic Categories.

Chart 5 - FY 16/17 Sales Tax Estimates by Economic Category – Top 5

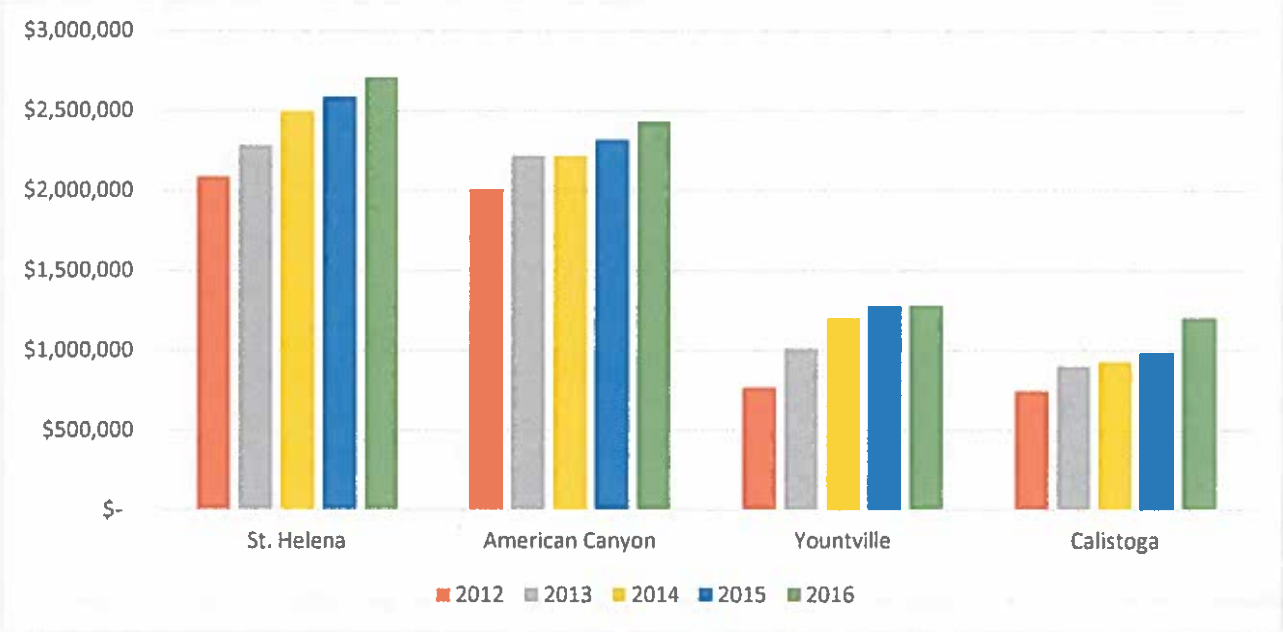


Comparatives

Due to the confidential nature of sales tax revenues, limited resources of staff, and differences in sales tax analysis for neighboring communities, comparatives have only been done at the highest level.

Information comparing sales tax trends for Napa County is presented in Chart 6. Chart 6 indicates change in total sales tax received for the previous 4 quarters. To remain consistent, information presented is sales tax received from April to March for each year represented. Year-over-year each of the four cities listed below have an increase in sales tax collected. The City of Napa was excluded from the chart below.

Chart 6 – Sales Tax Collected – 5 Year Trend



As indicated in Chart 6, St. Helena, American Canyon, Yountville, and Calistoga have experienced sales tax growth over the past 5 years. Table 1 provides a year-over-year sales tax percentage increase by city.

Table 1 – Year-over-Year Sales Tax Percentage Increase by City – April to March

2012 to	2013	2014	2015	2016
St. Helena	10%	9%	4%	5%
American Canyon	11%	0%	5%	5%
Yountville	13%	19%	6%	1%
Calistoga	4%	4%	6%	23%

FISCAL IMPACT

None

RECOMMENDED ACTION
Receive and File

ATTACHMENTS
Attachment 1 – Sales Tax Categories – City of St. Helena

St. Helena Business, Economic Segments, and Business Segments Attachment 1

BUSINESS CATEGORY	Economic Segment	business segment
GENERAL RETAIL	Apparel Stores	woman's apparel
		men's apparel
		family apparel
		shoe stores
	Department Stores	variety stores
		department stores
		general stores
	Furniture/Appliance	home furnishings
		appliance stores
		second hand stores
	Drug Stores	drug stores
	Miscellaneous Retail	sporting goods
		camera stores
		music stores
		florists
		nursery
		news stands
		art, gift, novelties
		stationary/books
		jewelry stores
		specialty stores
		cigar stores
		vending companies
		portrait studios
		shoe repair
		personal services
FOOD PRODUCTS	Restaurants	fast food restaurants
		restaurants with beer and wine
		restaurants with onsale liquor
		hotel food sales
		hotel food/bar sales
		club food/bar sales
	Food Markets	grocery without onsale
		specialty food stores
		confectionary stores
		grocery with beer and wine
		supermarkets
	Liquor Stores	liquor stores
	Food Processing Equipment	food processing equipment
		wineries
TRANSPORTATION	Auto Parts/Repair	auto supply stores
		vehicle repair
		vehicle parts manufacturing

St. Helena Business, Economic Segments, and Business Segments Attachment 1

BUSINESS CATEGORY	Economic Segment	business segment
	Auto Sales – New	new car dealers
	Auto Sales – Used	used car dealers
	Service Stations	service stations
	Misc. Vehicle Sales	trailer & supply
		boat/motorcycle
		aircraft & supply
		transportation equipment
CONSTRUCTION	Building Materials – wholesale	construction/farm equipment
		plumbing and electric
		building materials wholesale
	Building Materials – Retail	building materials store
		hardware stores
		paint/glass/wallpaper
BUSINESS TO BUSINESS	Office Equipment	office equipment store
		office machines
		photo processing/equipment
	Business Services	business services
	Electronic Equipment	electronic equipment
	Energy Sales	fuel oil/ice sales
		oil & gas products
	Chemical Products	chemical products
	Heavy Industry	manufacturing material/textiles
		heavy industry
	Light Industry	rental/other repair
		light industry
	Leasing	leasing
MISCELLANEOUS	Health & Government	health services
		government/non-profit organizations
	Miscellaneous Other	non-store retailers
		part-time business
		mortuary sales
		auctioneer sales

St. Helena Sales Tax Trends

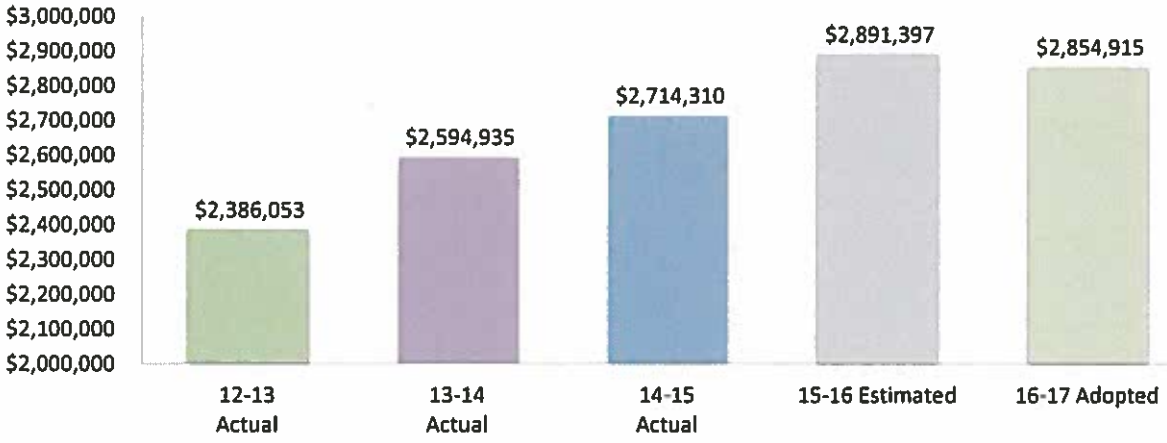
By: April Mitts, Finance Director

Finance Department

October 11, 2016 City Council Meeting

Sales Tax Revenues

Sales Tax Revenues - 27 % of the General Fund



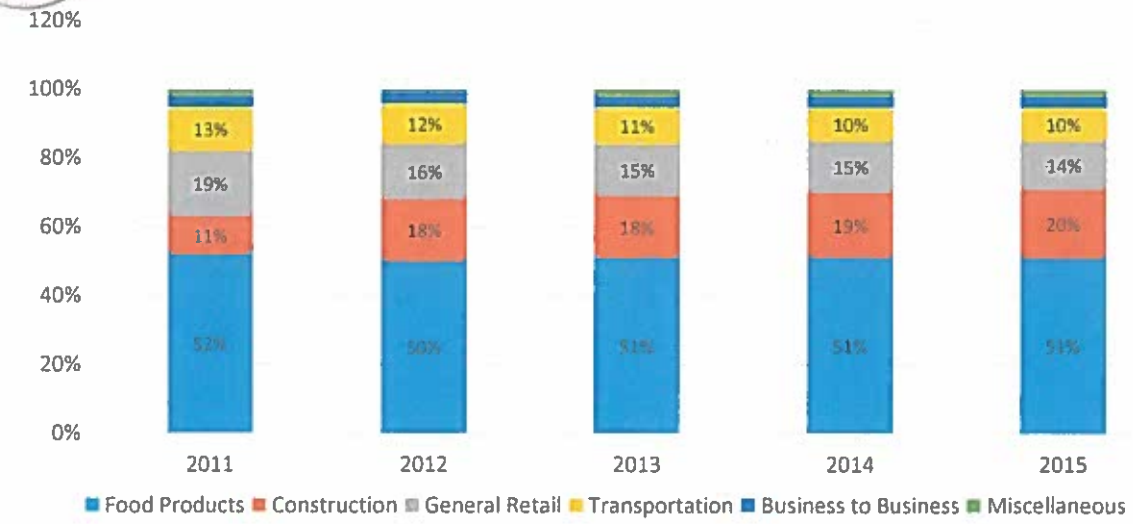
Sales Tax – Category and Segment

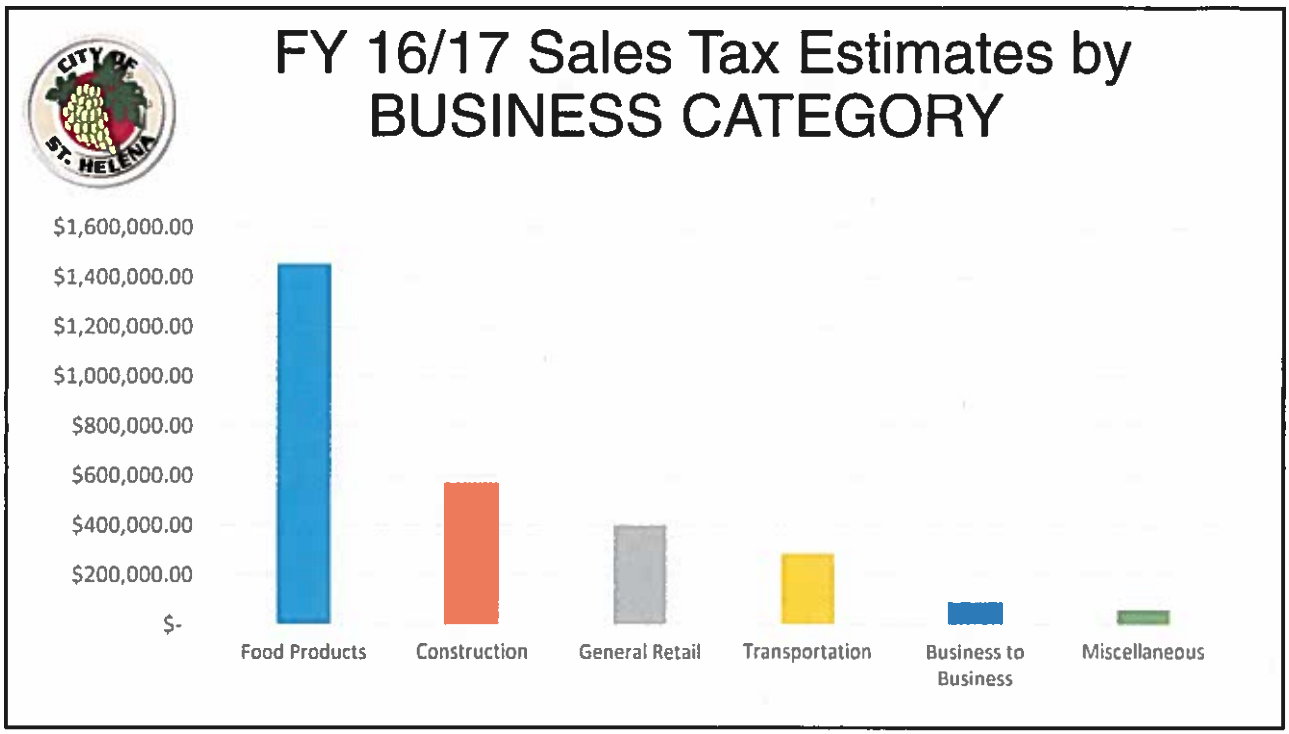
BUSINESS CATEGORY
GENERAL RETAIL
FOOD PRODUCTS
TRANSPORTATION
CONSTRUCTION
BUSINESS TO BUSINESS
MISCELLANEOUS

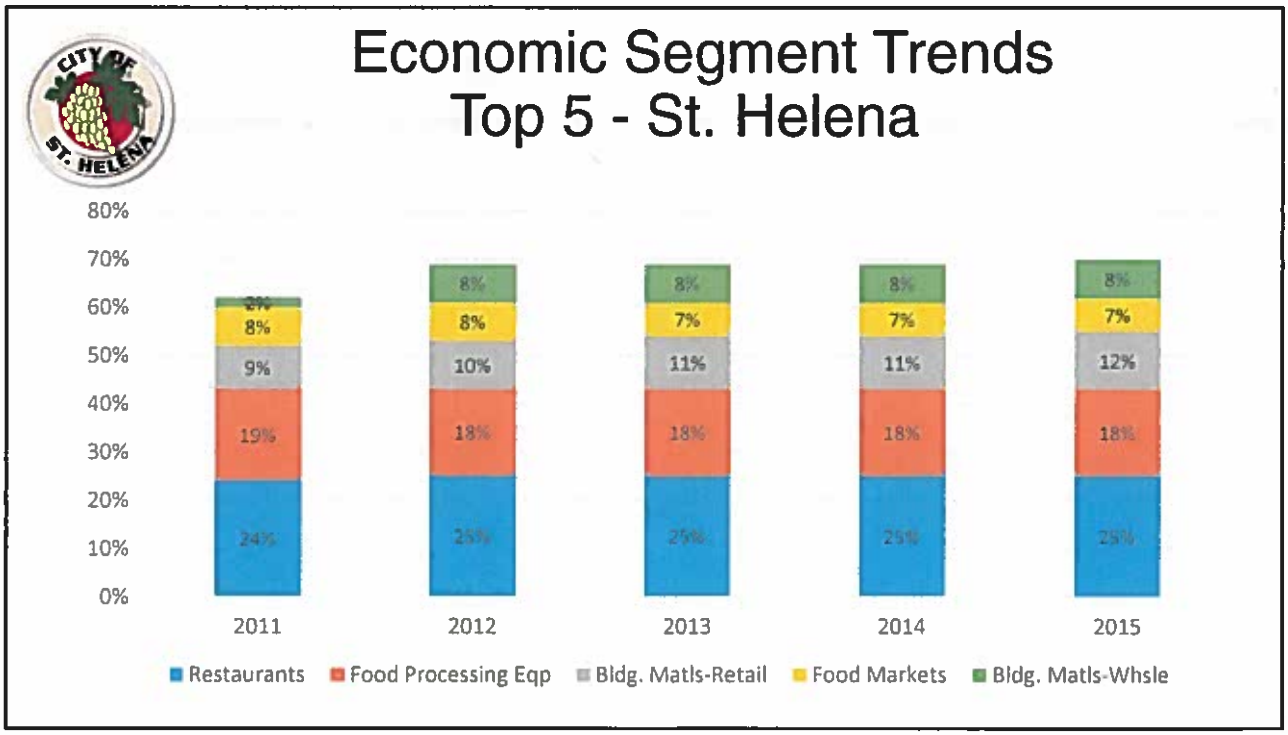
Economic Segment
FOOD PRODUCTS
Restaurants
Food Markets
Liquor Stores
Food Processing Equipment

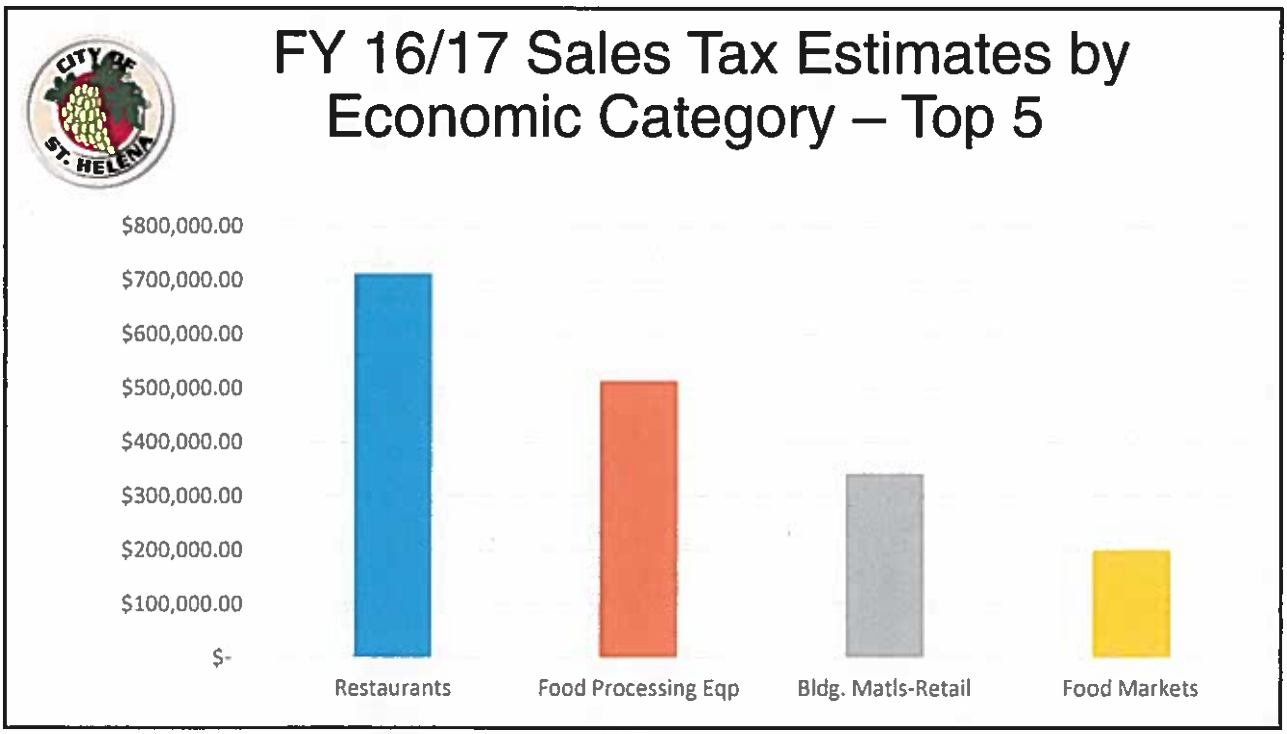
business segment
FOOD PRODUCTS
Restaurants
fast food restaurants
restaurants with beer and wine
restaurants with onsale liquor
hotel food sales
hotel food/bar sales
club food/bar sales

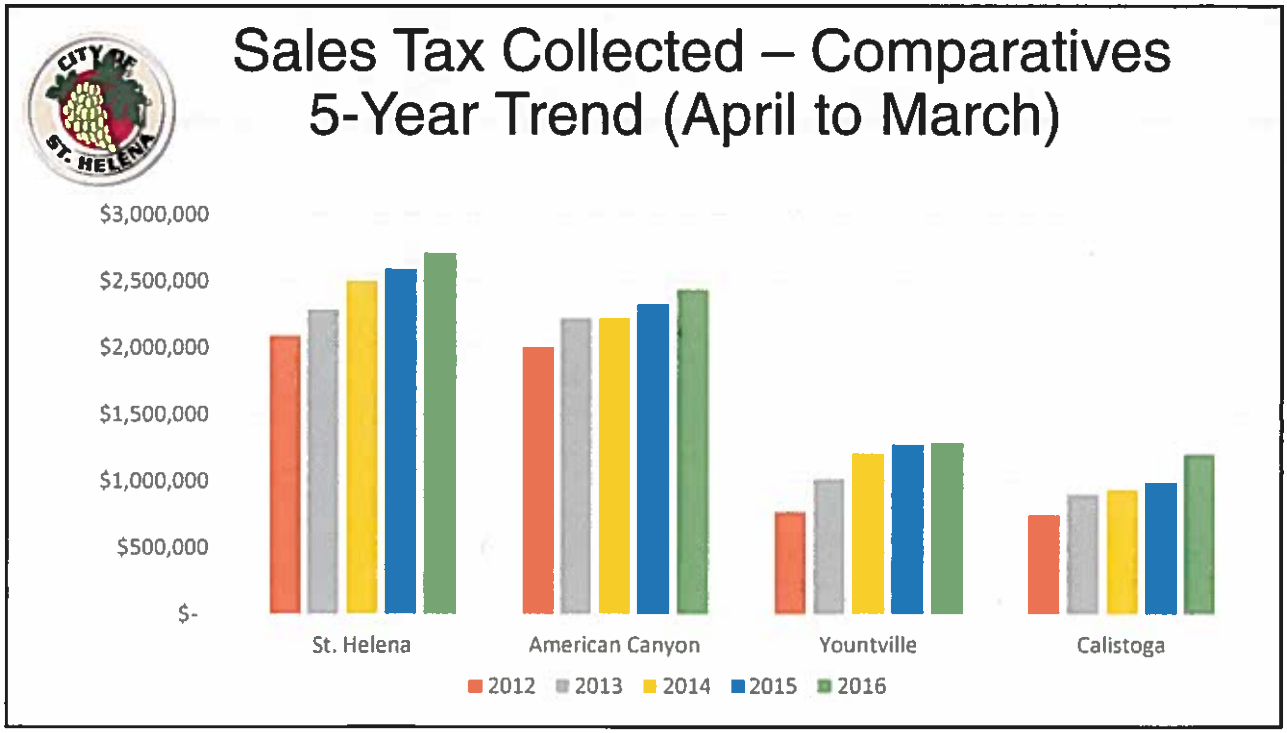
BUSINESS CATEGORY TRENDS
St. Helena




FY 16/17 Sales Tax Estimates by BUSINESS CATEGORY
$1,600,000.00
$1,400,000.00
$1,200,000.00
$1,000,000.00
$800,000.00
$600,000.00
$400,000.00
$200,000.00
$-
Food Products
Construction
General Retail
Transportation
Business to Business
Miscellaneous


Economic Segment Trends
Top 5 - St. Helena
80%
70%
60%
50%
40%
30%
20%
10%
0%
2011
2012
2013
2014
2015
Restaurants
Food Processing Eqp
Bldg. Matls-Retail
Food Markets
Bldg. Matls-Whsle


FY 16/17 Sales Tax Estimates by Economic Category – Top 5
$800,000.00
$700,000.00
$600,000.00
$500,000.00
$400,000.00
$300,000.00
$200,000.00
$100,000.00
$-
Restaurants
Food Processing Eqp
Bldg. Matls-Retail
Food Markets


Sales Tax Collected – Comparatives 5-Year Trend (April to March)
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
St. Helena
American Canyon
Yountville
Calistoga
2012
2013
2014
2015
2016

Sales Tax Percentage Increase Year-over-Year

Year-over-Year Sales Tax Percentage Increase by City - April to March				
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St. Helena Sales Tax Trends

- Receive and File
- Questions

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