



City of Sausalito Sales Tax Trends

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916-926-9019

Top 25 Sales Tax Producers (55% of total)

Angelino Restaurant	Mollie Stone's Market	Shell Service Stations
Bar Bocce	Poggio Restaurant	Silver Seas Yachts
Barrel House	Q Surgical	Sushi Ran Restaurant
Caruso's Restaurant	Salito's Crab House	Target Stores
Copita	Sausalito USA	Taste of Roma
Gene Hiller	Scoma's Restaurant	Spinnaker Restaurant
Heath Ceramics	Seafood Peddler	Tilevera
Horizons Restaurant	Serena & Lily	Winship's Restaurant
Le Garage Bistro		

Five Main Sales Tax Categories:

1. **General Retail** - Department stores, boutiques, discount stores, furniture, appliance, drug stores, recreation, etc.
2. **Food Products** - Markets, restaurants, breweries
3. **Transportation** - Auto sales, gas stations, auto parts
4. **Construction** - Wholesale suppliers and retail outlets
5. **Business to Business** - All industrial/office activity plus vehicle leasing.

Miscellaneous – Health and Government, Other

County Pool - Online sales, 3rd party vehicle sales

Top 25 by Sales Tax Category

Food Products - 16

- 15 Restaurants & 1 Food Market

General Retail - 5

- 2 Misc. Retail, 2 Apparel Stores, 1 Depart. Store

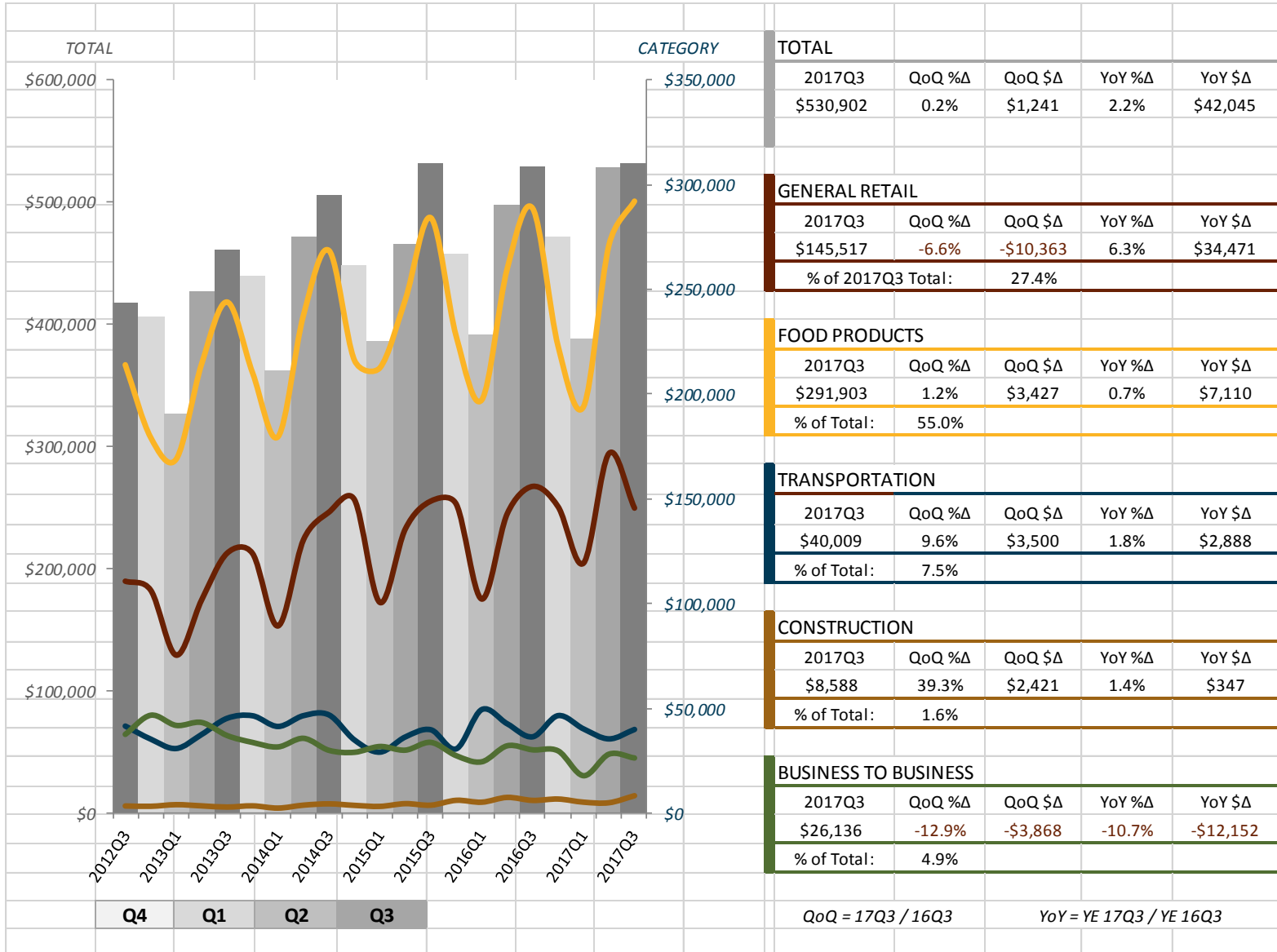
Transportation – 2

- 1 Misc. Vehicle Sales, 1 Service Station

Miscellaneous - 2

- 1 Health & Government, 1 Misc. Other

City of Sausalito 1% Bradley Burns Sales Tax Revenues



Sales Tax 1% Changes – 2010 to 2017 by Benchmark Year

	YE 2010 Q3	YE 217Q3	Change
General Retail	\$347,172	\$582,553	\$ 235,381
Food Products	\$606,717	\$980,013	\$ 373,296
Transportation	\$117,686	\$162,360	\$ 44,674
Construction	\$12,389	\$25,691	\$ 13,759
Business to Business	\$152,967	\$101,347	\$ (51,620)
Miscellaneous	\$30,556	\$66,585	\$ 39,460
Total	\$1,267,487	\$1,918,549	\$ 651,062

- 2010Q3 to 2017Q3 % Change: 51.4%
- Yearly Average % Change: 6.4%

Sales Tax: A Tale of Two Cities...

Sausalito

Food Products – 55% of Sales Tax

- Restaurants are 48.4%

General Retail – 27.4%

Transportation – 7.5%

Construction – 1.6%

Business to Business – 4.9%

Petaluma

Food Products – 20.4%

- Restaurants are 12.1%

General Retail – 20.8%

Transportation – 33.5%

Construction – 9.2%

Business to Business – 15.3%

City of Sausalito 1% Sales Tax Forecast

Bradley Burns	FY 16 - 17	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24
General Retail	598,254	541,621	570,822	580,834	590,006	599,226	608,349	617,569
% Change	12.1%	-9.5%	5.4%	1.8%	1.6%	1.6%	1.5%	1.5%
Food Products	974,000	1,012,174	1,010,588	1,020,416	1,029,712	1,039,096	1,048,303	1,057,685
% Change	2.6%	3.9%	-0.2%	1.0%	0.9%	0.9%	0.9%	0.9%
Transportation	159,529	168,703	173,608	178,876	184,126	189,389	194,627	199,889
% Change	-1.6%	5.8%	2.9%	3.0%	2.9%	2.9%	2.8%	2.7%
Construction	30,057	29,479	30,205	32,034	33,841	35,651	37,456	39,266
% Change	92.4%	-1.9%	2.5%	6.1%	5.6%	5.3%	5.1%	4.8%
Business To Business	105,087	96,440	93,293	93,302	93,721	94,149	94,561	94,989
% Change	-9.4%	-8.2%	-3.3%	0.0%	0.4%	0.5%	0.4%	0.5%
Miscellaneous	59,768	69,483	72,521	76,106	79,624	83,150	86,662	90,187
% Change	-27.6%	16.3%	4.4%	4.9%	4.6%	4.4%	4.2%	4.1%
Gross	1,926,695	1,917,900	1,951,037	1,981,568	2,011,031	2,040,661	2,069,958	2,099,586
% Change	3.6%	-0.5%	1.7%	1.6%	1.5%	1.5%	1.4%	1.4%
County Pool	329,019	353,699	375,438	398,937	422,240	445,580	468,847	492,189
% Change	13.0%	7.5%	6.1%	6.3%	5.8%	5.5%	5.2%	5.0%
State Pool	1,078	1,166	1,129	1,129	1,129	1,129	1,129	1,129
Administration	(27,064)	(26,256)	(26,882)	(27,506)	(28,116)	(28,727)	(29,335)	(29,946)
Conservative		\$2,212,800	\$2,263,900	\$2,314,100	\$2,363,000	\$2,411,900	\$2,460,400	\$2,509,100
Most-Likely	\$2,229,728	\$2,246,509	\$2,300,722	\$2,354,128	\$2,406,285	\$2,458,643	\$2,510,600	\$2,562,958
% Change	4.9%	0.8%	2.4%	2.3%	2.2%	2.2%	2.1%	2.1%
Optimistic		\$2,280,200	\$2,337,500	\$2,394,100	\$2,449,600	\$2,505,400	\$2,560,800	\$2,616,800

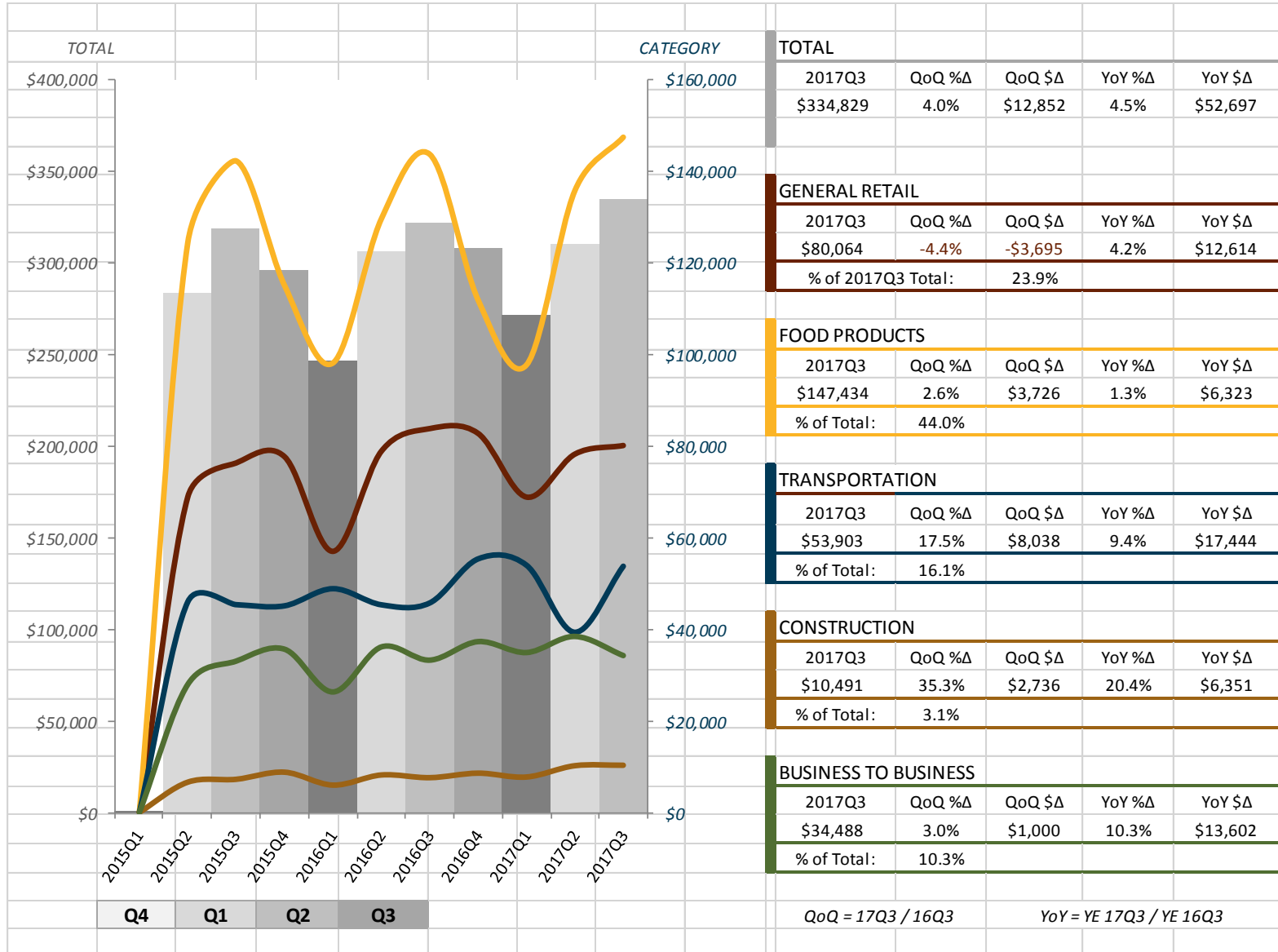
1% “Bradley Burns”:

- “Point of Sale” Tax: Portion of Overall State Sales Tax
- Internet sales and third party vehicle sales put into County Pool & City gets a percentage (avg. 3.8% to 4.8%) of the pool

.5% Local Sales Tax Measure (Transactions or ‘District Tax’)

- “Destination-Based” Tax: Transactions that are delivered to City including internet purchases goes directly to the City.
- Tax does not apply to purchases at a business that are “delivered” outside the City, such as lumber deliveries and auto purchases made by non-City residents.

City of Sausalito .5% Transactions Tax Revenues



Sales Tax .5% Changes – 2016 to 2017 by Benchmark Year

	YE 2016 Q3	YE 217Q3	Change
General Retail	\$297,157	\$309,768	\$ 12,611
Food Products	\$486,478	\$492,801	\$ 6,323
Transportation	\$185,555	\$202,999	\$ 17,444
Construction	\$31,182	\$37,533	\$ 6,351
Business to Business	\$132,270	\$145,872	\$ 13,602
Miscellaneous	\$38,988	\$35,351	\$ (3,637)
Total	\$1,171,627	\$1,224,324	\$ 52,697

- 2016Q3 to 2017Q3 % Change: 4.5%
- Note: This funding source expires in seven years.

City of Sausalito .5% Sales Tax Forecast

Voter Approved	FY 16 - 17	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24
General Retail	307,864	308,273	307,600	310,509	315,260	320,108	324,979	329,851
% Change	4.9%	0.1%	-0.2%	0.9%	1.5%	1.5%	1.5%	1.5%
Food Products	481,011	521,881	510,853	515,886	520,611	525,273	529,980	534,686
% Change	-1.7%	8.5%	-2.1%	1.0%	0.9%	0.9%	0.9%	0.9%
Transportation	193,937	220,717	224,555	229,230	233,735	238,220	242,719	247,218
% Change	2.3%	13.8%	1.7%	2.1%	2.0%	1.9%	1.9%	1.9%
Construction	33,983	41,411	44,320	47,554	50,503	53,397	56,296	59,194
% Change	8.9%	21.9%	7.0%	7.3%	6.2%	5.7%	5.4%	5.1%
Business To Business	142,429	156,578	156,223	158,681	161,063	163,425	165,801	168,177
% Change	7.1%	9.9%	-0.2%	1.6%	1.5%	1.5%	1.5%	1.4%
Miscellaneous	46,201	38,690	39,425	41,917	44,343	46,765	49,189	51,614
% Change	30.4%	-16.3%	1.9%	6.3%	5.8%	5.5%	5.2%	4.9%
Gross	1,205,425	1,287,549	1,282,976	1,303,777	1,325,515	1,347,188	1,368,965	1,390,739
% Change	2.9%	6.8%	-0.4%	1.6%	1.7%	1.6%	1.6%	1.6%
Administration	(16,671)	(15,363)	(15,326)	(15,575)	(15,834)	(16,093)	(16,353)	(16,613)
Conservative		\$1,253,100	\$1,247,400	\$1,266,300	\$1,286,100	\$1,305,800	\$1,325,600	\$1,345,300
Most-Likely	\$1,188,754	\$1,272,187	\$1,267,650	\$1,288,202	\$1,309,680	\$1,331,095	\$1,352,611	\$1,374,126
% Change	2.5%	7.0%	-0.4%	1.6%	1.7%	1.6%	1.6%	1.6%
Optimistic		\$1,291,300	\$1,287,900	\$1,310,100	\$1,333,300	\$1,356,400	\$1,379,700	\$1,403,000

Questions?



California Sales Tax Issues & Considerations

March 23, 2018

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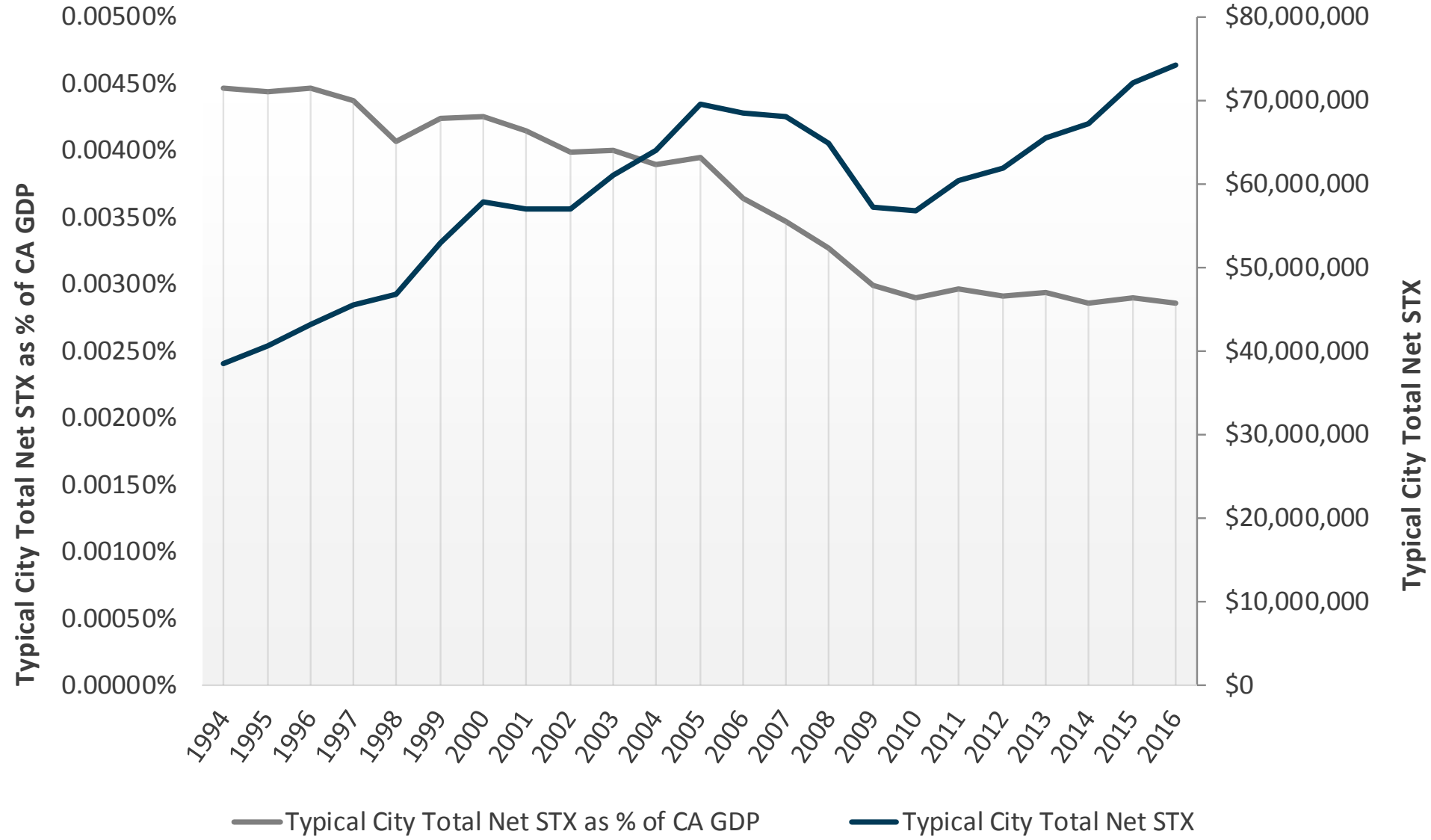
“Retail isn’t Dead. Mediocre retail experiences are dead”
Neil Blumenthal, CEO Warby Parker

- Unlike most states, California's sales tax code is not "streamlined," doesn't capture new tech and services.
- Shift in consumer behavior from brick and mortar businesses to online and same-day delivery services.
- Roughly 20% of all internet transactions are from companies with no "nexus" in California.
- Restaurants are anticipated to remain strong as well as retailers with "experiential" and social elements.

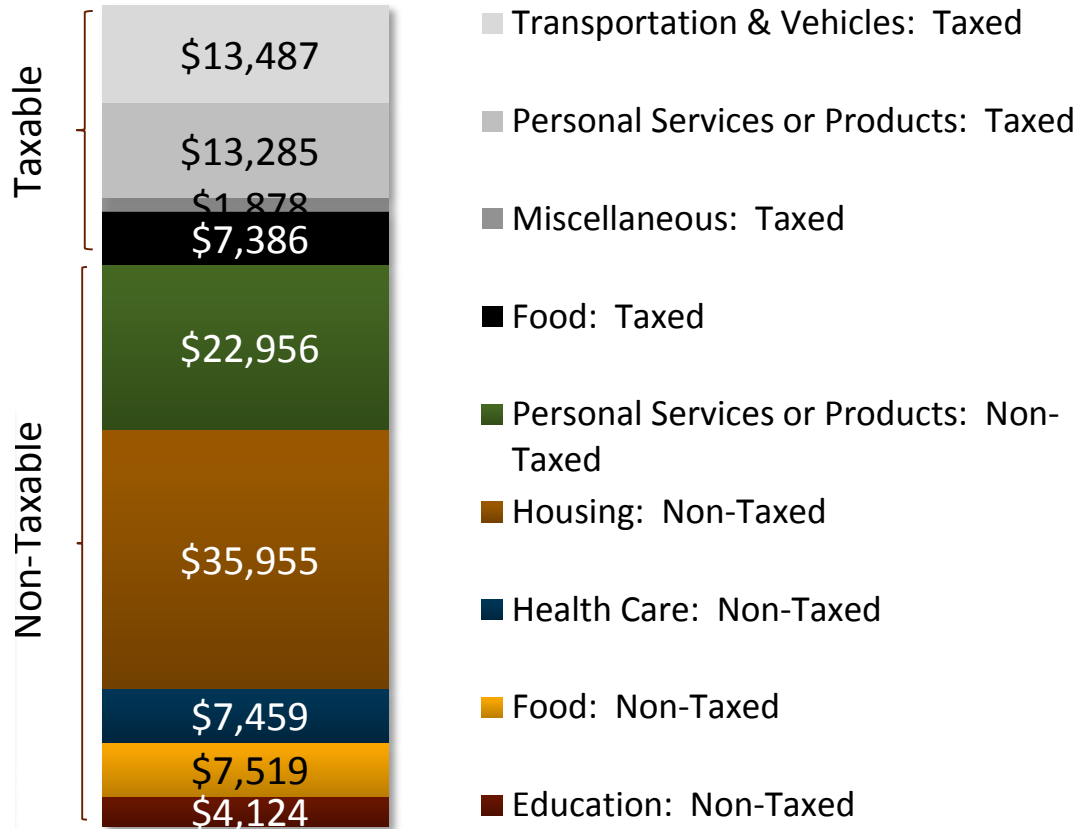
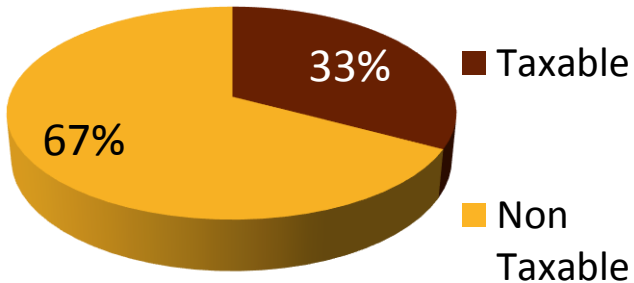
Sample Shift from Bricks to Clicks

Business	Storefront	Dot.com (County Pool)
Amazon	n/a (yet)	25.9%
Macy's	-6.7%	28.7%
Nordstrom	-1.4%	17.1%
Target	1.5%	27.7%
Wal-Mart	2.0%	29.8%

Sales Tax as a Percentage of California GDP



Source: Bureau of Economic Analysis



Federal Legislation

- S. 976, Enzi (Marketplace Fairness Act)
- H.R. 2193, Noem (Remote Transactions Parity Act)
- Both bills allow states to collect sales tax

Federal Court Challenge

- State of South Dakota petitioned the court to overturn physical presence in the 1992 Quill decision
- US Supreme Court agreed to re-hear Quill
- Widespread support to overturn Quill

- Online delivery services will continue to erode/blend with “traditional” brick and mortar.
- Sharing Economy – Goods are becoming services. Are autos next? A car becomes a mobility service
- Millennials Impact - Less goods & more experiences
- Convenience – Joins cost as primary consumer driver
- Technology – Digital complementary to physical
- Voice – How will this transform retail?

Potential Changes

- Sales Tax Reform is long overdue and time is right
- Sales Tax Reform at State level must include locals
- Lower the rate and broaden the base – digital, services, exemptions, pool reform, etc.
- Supreme Court overturn Quill and/or passage of Marketplace Fairness and Tax Parity Acts

Questions?