



INFORMATIONAL MEMORANDUM

TO: Finance Committee
 FROM: Peggy McCarthy, Finance Director
 BY: Aaron Williams, Fiscal Coordinator
 CC: Mayor Ekberg
 DATE: August 24, 2018
 SUBJECT: Sales Tax and Miscellaneous Revenue Report – 2nd Quarter 2018

Schedule I - Sales Tax in \$1,000's

		YEAR OVER YEAR COMPARISON											
		2017 Actual			2018 Actual			YOY Change					
---- Month ----		Construc- tion	Other Industries	Total	Construc- tion	Other Industries	Total	Construction		Other Industries		Total	
Collect- ed	Rec'd							Amount	%	Amount	%	Amount	%
Jan	Mar	\$ 123	\$ 1,149	\$ 1,272	\$ 116	\$ 1,222	\$ 1,339	\$ (6)	-5%	\$ 73	6%	\$ 67	5%
Feb	Apr	83	1,123	1,206	128	1,211	1,338	45	54%	88	8%	132	11%
Mar	May	120	1,664	1,784	131	1,487	1,618	11	9%	(177)	-11%	(166)	-9%
Q-1 Totals		\$ 326	3,936	\$ 4,262	\$ 375	3,920	\$ 4,295	\$ 49	15%	(16)	0%	\$ 33	1%
Apr	Jun	90	1,317	1,408	122	1,349	1,471	32	35%	32	2%	64	5%
May	Jul	103	1,318	1,421	134	1,492	1,626	31	30%	174	13%	205	14%
Jun	Aug	116	1,391	1,506	139	1,682	1,821	23	20%	292	21%	315	21%
Q-2 Totals		\$ 309	4,026	\$ 4,335	\$ 395	4,524	\$ 4,919	\$ 86	28%	498	12%	\$ 584	13%
Jul	Sep	130	1,377	1,508									
Aug	Oct	125	1,345	1,471									
Sep	Nov	140	1,473	1,613									
Q-3 Totals		\$ 396	4,196	\$ 4,591	\$ -	-	\$ -	\$ -	0%	-	0%	\$ -	0%
Oct	Dec	145	1,329	1,473									
Nov	Jan	110	1,424	1,534									
Dec	Feb	120	1,849	1,969									
Q-4 Totals		\$ 374	4,602	\$ 4,976	\$ -	-	\$ -	\$ -	0%	-	0%	\$ -	0%
Totals		\$ 1,404	16,760	\$ 18,164	\$ 770	8,444	\$ 9,214	\$ 136	10%	482	3%	\$ 617	3%

Second Quarter sales tax collections increased \$584 thousand or 13% over the same period in 2017. Of this increase, Construction related sales tax accounted for an increased \$86 thousand or 28% while all other industries accounted for an increase of \$498 thousand or 12% when compared to the same period in 2017.

Budget to Actual – Sales Tax in \$1,000's

		BUDGET TO ACTUAL			in \$1,000's	
		2017	2018		Variance	
-- Month -- Collected	Rec'd	Actual	Allocated	Actual	Variance	
			Budget		Amt	%
Jan	Mar	\$ 1,272	\$ 1,396	\$ 1,339	(57)	-4%
Feb	Apr	1,206	\$ 1,323	\$ 1,338	15	1%
Mar	May	1,784	\$ 1,958	\$ 1,618	(340)	-17%
Q-1 Totals		\$ 4,262	\$ 4,677	\$ 4,295	\$(382)	-8%
Apr	Jun	1,408	\$ 1,545	1,471	(74)	-5%
May	Jul	1,421	\$ 1,559	1,626	67	4%
Jun	Aug	1,506	\$ 1,653	1,821	168	10%
Q-2 Totals		\$ 4,335	\$ 4,757	\$ 4,919	\$ 162	3%
Jul	Sep	1,508	\$ 1,654			
Aug	Oct	1,471	\$ 1,614			
Sep	Nov	1,613	\$ 1,770			
Q-3 Totals		\$ 4,591	\$ 5,038	\$ -	\$ -	0%
Oct	Dec	1,473	\$ 1,617			
Nov	Jan	1,534	\$ 1,683			
Dec	Feb	1,969	\$ 2,161			
Q-4 Totals		\$ 4,976	\$ 5,461	\$ -	\$ -	0%
Totals		\$ 18,164	\$ 19,932	\$ 9,214	\$(220)	-1%

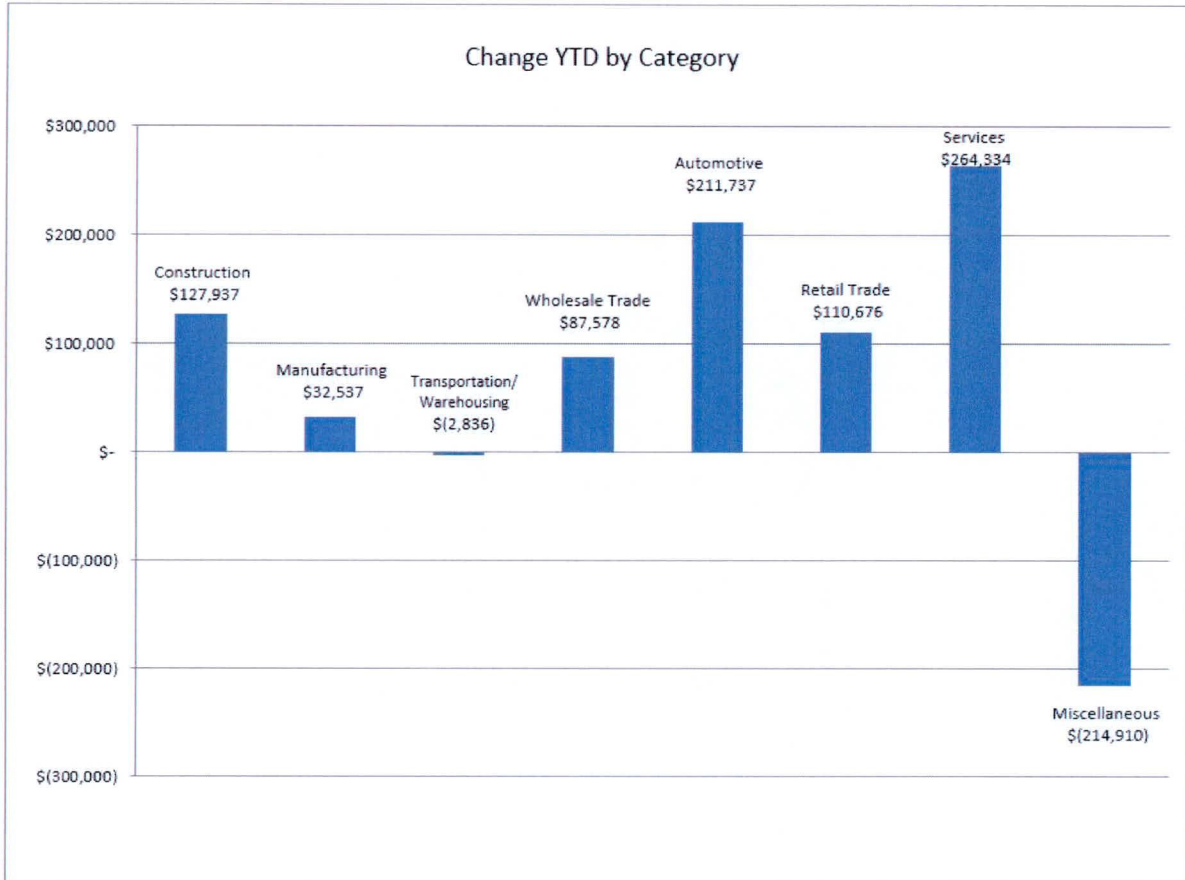
Actual sales tax collected in the second quarter was \$162 thousand greater than anticipated, representing a 3% positive variance from budget. Overall year-to-date sales tax collection through the second quarter is \$220 thousand under budget, which is 1% less than budget expectations.

Sales tax collections during the past two months (May and June) have exceeded budget expectations by \$235 thousand. This increase can be mostly attributed to the category 441-Motor Vehicle and Parts Dealer from a manufacture of buses.

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Below is a graph of the year-to-date changes in sales tax collections by industry type year over year.



All industry categories show an increase in sales tax except for transportation/warehousing, which had a \$2,836 decline. The miscellaneous category contains sales tax from periodic and one-time type transactions. Excluding this miscellaneous category, year-over-year sales tax through the 2nd quarter 2018 increased by \$831 thousand.

Schedule II shows year-to-date sales tax collections from the top ten industry classifications.

Schedule II - YTD sales tax collections - top ten industry classifications

Group	Name	YTD Current	YTD Prior	Dollar Diff.	% Diff.
722	Food Services, Drinking Places	\$ 973,229	\$ 910,341	\$ 62,888	6.91%
452	General Merchandise Stores	\$ 965,467	\$ 943,609	\$ 21,857	2.32%
448	Clothing and Accessories	\$ 935,216	\$ 913,602	\$ 21,614	2.37%
423	Wholesale Trade, Durable Goods	\$ 565,535	\$ 482,063	\$ 83,472	17.32%
441	Motor Vehicle and Parts Dealer	\$ 557,218	\$ 349,360	\$ 207,858	59.50%
236	Construction of Buildings	\$ 514,527	\$ 379,001	\$ 135,526	35.76%
443	Electronics and Appliances	\$ 500,419	\$ 506,770	\$ (6,351)	-1.25%
444	Building Material and Garden	\$ 403,303	\$ 384,086	\$ 19,216	5.00%
453	Miscellaneous Store Retailers	\$ 371,275	\$ 335,554	\$ 35,721	10.65%
517	Telecommunications	\$ 355,433	\$ 304,971	\$ 50,462	16.55%

The top three industry classifications remain unchanged compared to the prior quarter, with 'Food Services, Drinking Places' topping the list. The chart below illustrates these three groups over past ten years, highlighting the relative growth in the Food Services category. General Merchandise Stores (*such as Costco and Target*) and Clothing and Accessories retailers (*such as Nordstrom and Kohl's*) is anticipated to finish the year just ahead of the Food Services, Drinking Places based on past consumer spending trends in the second half of the year.



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Schedule III shows the year-to-date ten largest declines in sales tax collections by dollar difference by industry collected.

Schedule III - YTD ten largest declines (\$) in sales tax collections by industry class

Group	Name	YTD Current	YTD Prior	Dollar Diff.	% Diff.
999	Nonclassifiable Establishments	\$ 55,060	\$ 270,063	\$ (215,003)	-79.61%
454	Nonstore Retailers	\$ 85,223	\$ 135,070	\$ (49,847)	-36.90%
621	Ambulatory Health Care Service	\$ 32,370	\$ 51,442	\$ (19,072)	-37.07%
238	Specialty Trade Contractors	\$ 222,728	\$ 239,585	\$ (16,857)	-7.04%
926	Economic Programs Admin	\$ 30,535	\$ 41,464	\$ (10,929)	-26.36%
488	Transportation Support	\$ 16,026	\$ 26,800	\$ (10,774)	-40.20%
443	Electronics and Appliances	\$ 500,419	\$ 506,770	\$ (6,351)	-1.25%
515	Broadcasting (except Internet)	\$ 2,809	\$ 7,339	\$ (4,530)	-61.73%
323	Printing and Related Support	\$ 10,794	\$ 13,953	\$ (3,159)	-22.64%
812	Personal and Laundry Services	\$ 42,856	\$ 45,242	\$ (2,386)	-5.27%

The largest decline was in the 999-*Nonclassifiable Establishments* industry category (also referred to as the miscellaneous category), which reflects a large art related transaction in the prior year. No trends were detected when analyzing these groups compared to prior periods.

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SALES TAX SUMMARY
2nd Quarter 2018 (Received in March 2018 - August 2018)

NAICS	CONSTRUCTION	17 TOTAL	17 YTD	18 YTD	% Diff	YTD
236	Construction of Buildings	844,136	373,001	514,527	35.8%	
237	Heavy & Civil Construction	107,260	23,915	33,184	38.8%	
238	Specialty Trade Contractors	462,376	239,585	222,728	-7.0%	
	TOTAL CONSTRUCTION	\$ 1,413,773	\$ 642,501	\$ 770,439		
	Overall Construction Change from Previous Year					19.9%
NAICS	MANUFACTURING	17 TOTAL	17 YTD	18 YTD	% Diff	YTD
311	Food Manufacturing	10,703	4,404	8,335	89.3%	
312	Beverage & Tobacco Products	11,950	6,267	5,909	-5.7%	
313	Textile Mills	409	358	149	-58.5%	
314	Textile Product Mills	14,792	7,247	7,062	-2.5%	
315	Apparel Manufacturing	888	561	261	-53.5%	
316	Leather & Allied Products	88	48	24	-50.2%	
321	Wood Product Manufacturing	3,740	1,318	938	-28.8%	
322	Paper Manufacturing	24,646	12,275	12,586	2.5%	
323	Printing & Related Support	28,490	13,953	10,794	-22.6%	
324	Petroleum & Coal Products	41	9	52	459.4%	
325	Chemical Manufacturing	-15,834	227	2,992	1220.1%	
326	Plastic & Rubber Products	3,955	2,029	2,276	12.2%	
327	Nonmetallic Mineral Products	5,081	1,481	2,132	44.0%	
331	Primary Metal Manufacturing	1,803	772	613	-20.6%	
332	Fabricated Metal Mfg Products	8,752	4,374	5,417	23.8%	
333	Machinery Manufacturing	6,300	1,933	4,354	125.3%	
334	Computer & Electronic Products	10,531	5,141	13,122	155.2%	
335	Electric Equipment, Appliances	3,949	2,921	9,097	211.4%	
336	Transportation Equipment Mfg	29,297	17,896	21,540	20.4%	
337	Furniture & Related Products	8,432	2,896	6,039	108.5%	
339	Miscellaneous Manufacturing	19,765	8,100	13,057	61.2%	
	TOTAL MANUFACTURING	\$ 177,788	\$ 94,211	\$ 126,749		
	Overall Manufacturing Change from Previous Year					34.5%
NAICS	TRANSPORTATION & WAREHOUSING	17 TOTAL	17 YTD	18 YTD	% Diff	YTD
461	Air Transportation	11	11	0	0.0%	
462	Rail Transportation	169	96	29	-69.2%	
463	Water Transportation	86	42	4	-90.6%	
464	Truck Transportation	1,852	1,062	922	-12.4%	
465	Transit and Ground Passengers	395	16	357	2117.5%	
467	Scenic and Sightseeing Tran	57	57	6,755	11678.7%	
468	Transportation Support	47,071	26,800	16,026	-40.2%	
491	Postal Services	816	463	515	11.4%	
492	Couriers & Messengers	1,600	477	1,107	132.2%	
493	Warehousing & Storage	1,878	838	1,300	55.1%	
	TOTAL TRANSP & WHSNG	\$ 53,936	\$ 29,852	\$ 21,016		
	Overall Transportation Change from Previous Year					-9.5%
NAICS	WHOLESALE TRADE	17 TOTAL	17 YTD	18 YTD	% Diff	YTD
423	Whls Trade-Durable Goods	1,018,477	482,063	565,535	17.3%	
424	Whls Trade-Nondurable Goods	155,695	77,489	81,539	5.2%	
425	Wholesale Electronic Markets	2,696	1,281	1,337	4.4%	
	WHOLESALE TRADE TOTAL	\$ 1,176,868	\$ 560,833	\$ 648,411		
	Overall Wholesale Change from Previous Year					15.6%
NAICS	RETAIL TRADE	17 TOTAL	17 YTD	18 YTD	% Diff	YTD
442	Furniture & Home Furnishings	445,454	215,529	224,971	4.4%	
443	Electronics & Appliances	1,168,189	506,770	500,419	-1.3%	
444	Building Material & Garden	805,251	384,086	403,303	5.0%	
445	Food & Beverage Stores	257,762	117,430	140,355	19.5%	
446	Health & Personal Care	298,682	141,664	145,982	3.0%	
448	Clothing & Accessories	2,066,870	913,602	935,216	2.4%	
451	Sporting Goods, Hobby, Books	533,560	232,366	264,147	13.7%	
452	General Merchandise Stores	2,131,267	943,609	965,467	2.3%	
453	Miscellaneous Store Retailers	738,487	335,554	371,275	10.6%	
454	Nonstore Retailers	248,748	135,070	85,223	-36.9%	
	TOTAL RETAIL TRADE	\$ 8,694,271	\$ 3,925,660	\$ 4,036,357		
	Overall General Retail Change from Previous Year					2.8%
NAICS	SERVICES	17 TOTAL	17 YTD	18 YTD	% Diff	YTD
51X	Information	820,832	398,258	450,457	13.1%	
52X	Finance & Insurance	106,045	40,719	64,040	57.3%	
53X	Real Estate, Rental, Leasing	623,983	292,741	310,792	6.2%	
541	Professional, Scientific, Tech	547,039	270,483	307,738	13.8%	
551	Company Management	9	0	1	0.0%	
56X	Admin, Supp, Remed Svcs	170,046	75,791	143,565	89.4%	
611	Educational Services	10,355	3,228	3,061	-5.2%	
62X	Health Care Social Assistance	119,513	68,778	50,009	-27.3%	
71X	Arts & Entertainment	256,620	130,601	150,027	14.9%	
72X	Accommodation & Food Svcs	2,536,470	1,222,924	1,300,140	6.3%	
81X	Other Services	270,882	130,180	129,731	-0.3%	
92X	Public Administration	87,143	46,802	35,278	-24.6%	
	TOTAL SERVICES	\$ 5,548,937	\$ 2,680,505	\$ 2,944,840		
	Overall Services Change from Previous Year					9.9%
NAICS	MISCELLANEOUS	17 TOTAL	17 YTD	18 YTD	% Diff	YTD
000	Unknown	0	0	0	0.0%	
111-115	Agriculture, Forestry, Fishing	1,089	206	307	49.1%	
211-221	Mining & Utilities	547	210	203	-3.6%	
999	Unclassifiable Establishments	296,439	270,063	55,060	-79.6%	
	MISCELLANEOUS TOTAL	\$ 298,074	\$ 270,479	\$ 55,570		
	Overall Miscellaneous Change from Previous Year					-79.5%
NAICS	GRAND TOTALS	17 TOTAL	17 YTD	18 YTD	% Diff	YTD
	GRAND TOTALS	\$18,164,227	\$8,595,964	\$9,214,020		
	Grand Total Change from Previous Year					7.18%
	Grand Total Change from Previous Year - Without New Construction					6.15%

Schedule IV shows quarterly gambling tax performance year over year and for the current year compared to budget.

Schedule IV - Gambling Tax ^(a)

Quarter Earned	2017 Actual	(d) 2018 Actual	2018 Allocated Budget	INCREASE (DECREASE)			
				YEAR OVER YEAR		BUDGET VARIANCE	
				Amount	%	Amount	%
Q1	\$ 977,003	\$ 985,901	\$ 995,831	\$ 8,898	1%	\$ (9,930)	-1%
Q2	983,322	841,104	1,002,272	(142,218)	-14%	(161,168)	-16%
Q3	951,991		970,337				
Q4	958,503		976,974				
Totals	\$ 3,870,819	\$ 1,827,005	\$ 3,945,414	\$ (133,319)	-3%	\$ (171,097)	-4%

During the second quarter Gambling tax revenue was 14% below the prior year and 16% less than budget. The City has four casinos – the Riverside Inn, the Great American, the Fortune (formerly the Golden Nugget) and the Macau. An analysis of the second quarter gambling taxes show that the decline in the second quarter is attributed to one casino and not a trend among all casinos. Gambling tax is budgeted to increase by 2% over 2017 actual revenue.

Schedule V shows quarterly admissions tax performance year over year and for the current year compared to budget.

Schedule V - Admissions Tax ^(b)

Quarter Earned	2017 Actual	(d) 2018 Actual	2018 Allocated Budget	INCREASE (DECREASE)			
				YEAR OVER YEAR		BUDGET VARIANCE	
				Amount	%	Amount	%
Q1	\$ 166,003	\$ 206,037	\$ 176,211	\$ 40,034	24%	\$ 29,827	17%
Q2	157,574	248,570	167,263	90,996	58%	81,307	49%
Q3	177,422		188,331				
Q4	171,641		182,195				
Totals	\$ 672,640	\$ 454,607	\$ 714,000	\$ 131,030	19%	\$ 111,133	16%

Second quarter admissions tax revenue was \$91 thousand, or 58% more than the same period last year and exceeded the budget expectation by \$81 thousand or 49%. A major contributor to the increase is a new entertainment venue in the Central Business District. Admissions tax is budgeted to increase 6% over 2017 actual revenue.

Schedule VI shows quarterly telecommunications utility tax performance year over year and for the current year compared to budget.

Schedule VI - Telecommunications Utility Tax ^(c)

Quarter Earned	2017 Actual	(d) 2018 Actual	2018 Allocated Budget	INCREASE (DECREASE)			
				YEAR OVER YEAR		BUDGET VARIANCE	
				Amount	%	Amount	%
Q1	\$ 323,708	\$ 292,954	\$ 319,585	\$ (30,754)	-10%	\$ (26,632)	-8%
Q2	312,456	279,555	308,476	(32,900)	-11%	(28,921)	-9%
Q3	388,433		383,486				
Q4	316,497		312,466				
Totals	\$ 1,341,094	\$ 572,509	\$ 1,324,013	\$ (63,655)	-5%	\$ (55,552)	-4%

Second quarter telecommunications utility tax was \$33 thousand, or 11% less than the previous year and \$29 thousand less than budget. The 2018 revenue is budgeted at 1% less than 2017 actual revenue.

- (a) Gambling tax currently includes card games, punch boards, pull tabs, and amusement games.
- (b) Excludes golf course admissions tax.
- (c) Telecommunications Utility tax currently includes cellular, pager and telephone usage.
- (d) Actuals reflected in Schedules IV, V and VI are amounts earned for the quarter.

Chart 1: All Sales Tax 2009-2018

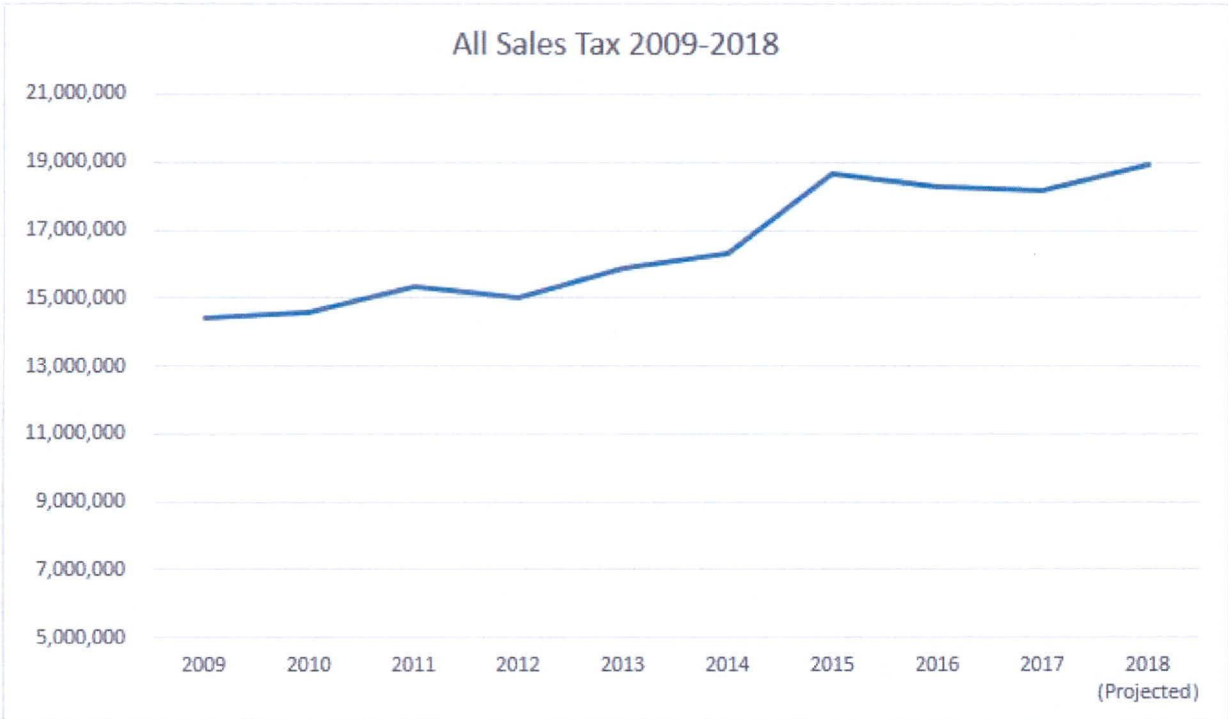


Chart 2: Sales Tax by Major Sector (Retail, Services, All Other)

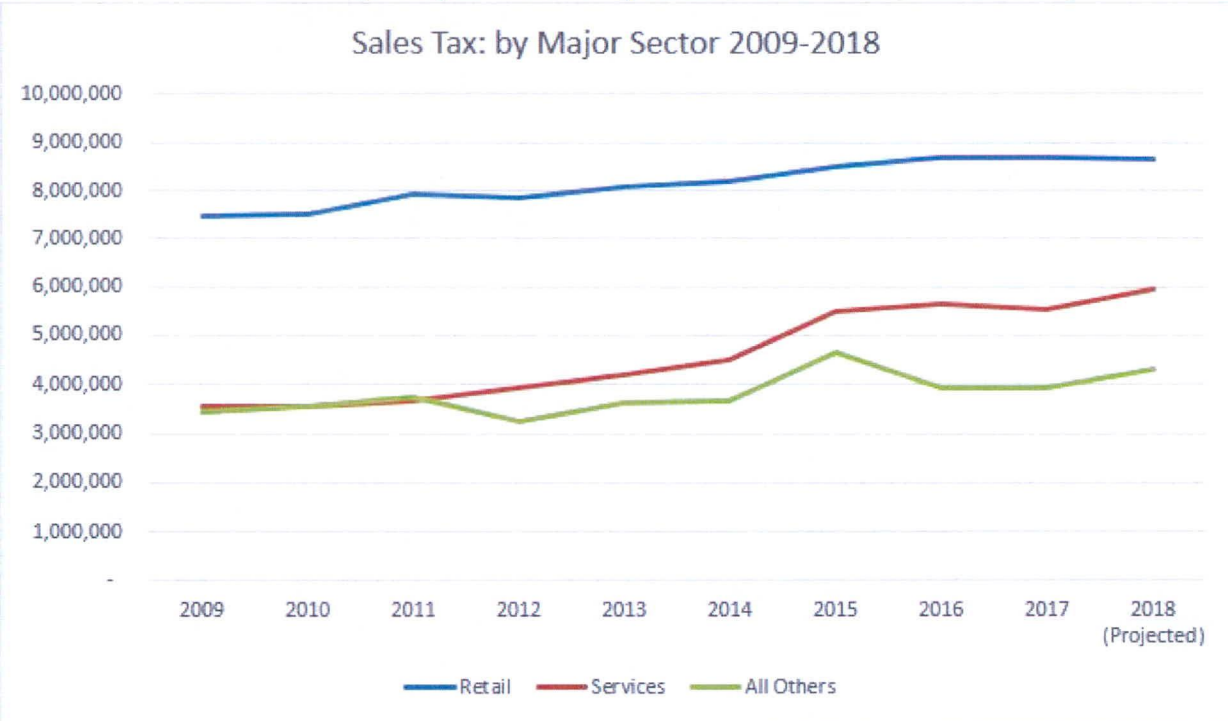


Chart 3: Sales Tax collection history top three NAICS codes

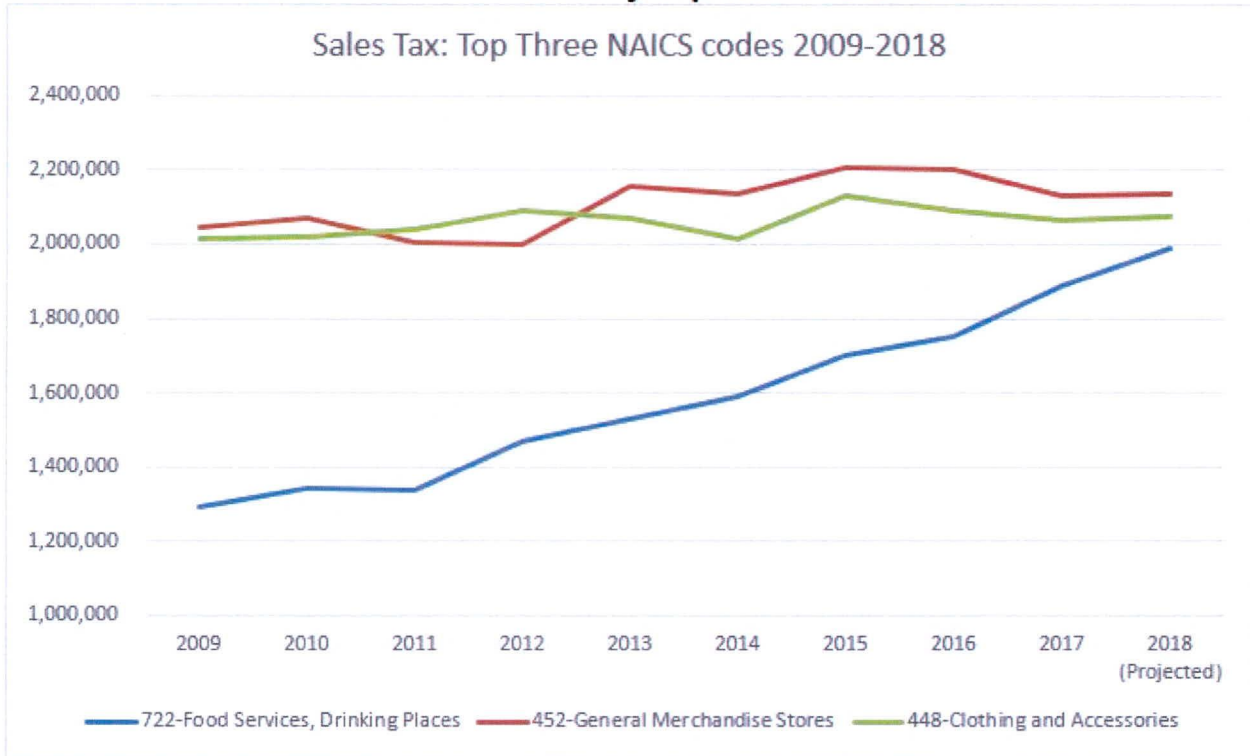
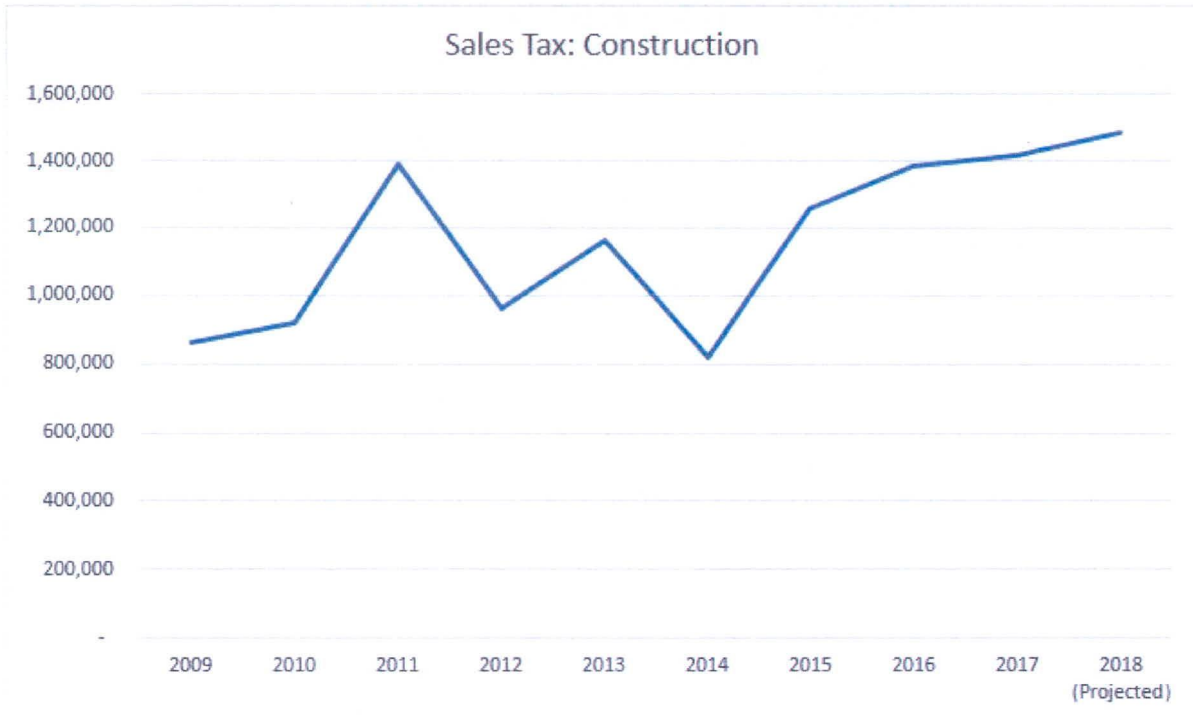
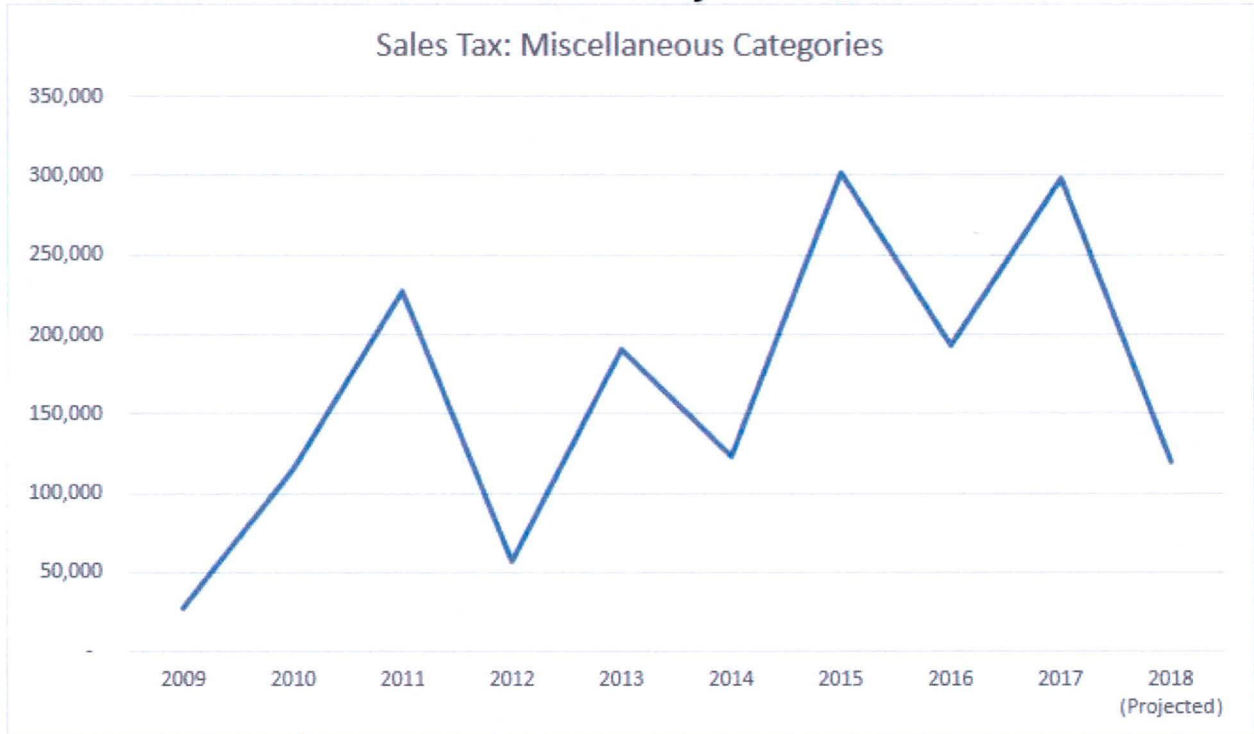


Chart 4: Sales Tax from Construction Activities 2009-2018



Includes: 236-Construction of Buildings, 237-Heavy & Civil Construction and 238-Specialty trade contractors.

Chart 5: Miscellaneous sales tax history 2009-2018



Includes: Unclassifiable Establishments as well as Agriculture, Forestry and Mining categories.

Chart 6: Sales Tax collections for Major Retail categories 2009-2018

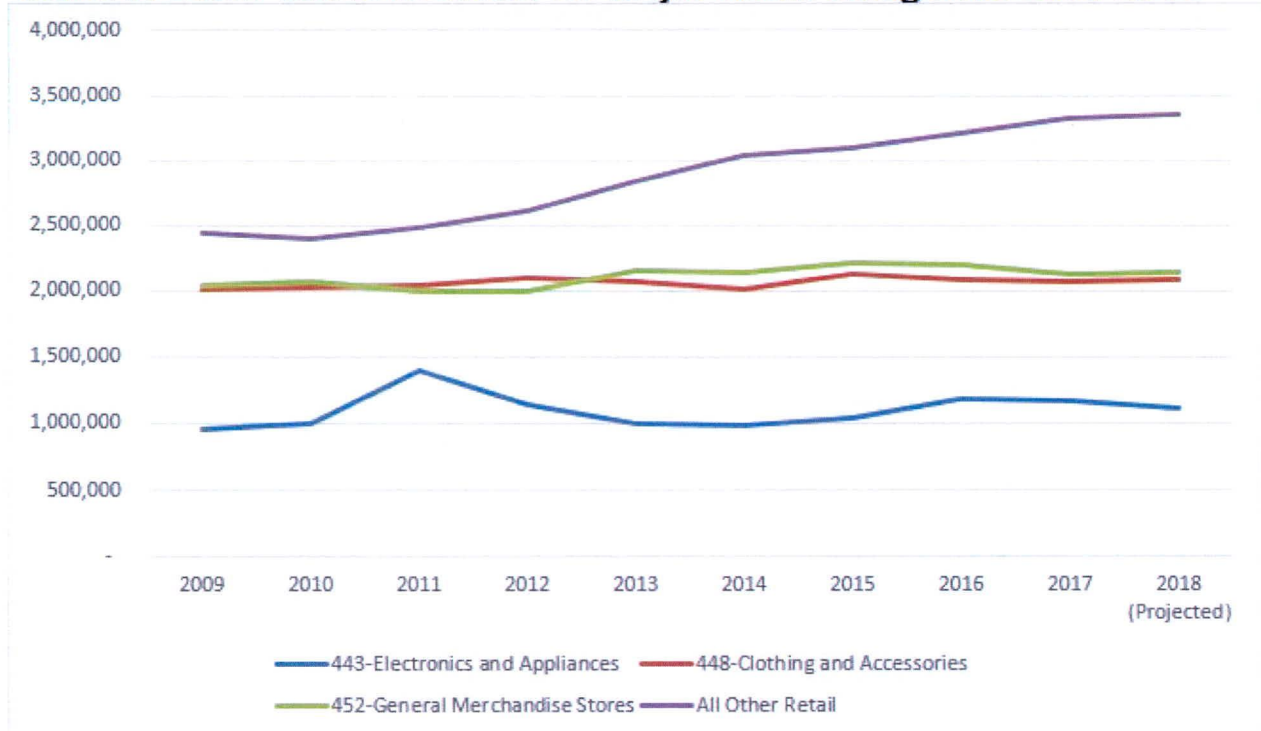


Chart 7: Sales Tax collections for Services categories 2009-2018

