



**INFORMATIONAL MEMORANDUM**

TO: Finance Committee  
 FROM: Peggy McCarthy, Finance Director  
 BY: Aaron Williams, Fiscal Coordinator  
 CC: Mayor Ekberg  
 DATE: January 23, 2019  
 SUBJECT: Sales Tax and Miscellaneous Revenue Report – 3<sup>rd</sup> Quarter 2018

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

		---- YEAR OVER YEAR COMPARISON ----											
		2017 Actual			2018 Actual			YOY Change					
---- Month ----	Collect- ed Rec'd	Construc- tion	Other Industries	Total	Construc- tion	Other Industries	Total	Construction		Other Industries		Total	
								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	92	1,316	1,408	122	1,349	1,471	31	33%	33	2%	64	5%
May	Jul	106	1,315	1,421	134	1,492	1,626	28	27%	177	13%	205	14%
Jun	Aug	119	1,387	1,506	139	1,682	1,821	20	17%	295	21%	315	21%
Q-2 Totals		\$ 317	4,018	\$ 4,335	\$ 395	4,524	\$ 4,919	\$ 79	25%	505	13%	\$ 584	13%
Jul	Sep	131	1,376	1,508	136	1,678	1,814	5	4%	302	22%	307	20%
Aug	Oct	126	1,345	1,471	124	1,682	1,805	(2)	-2%	337	25%	335	23%
Sep	Nov	140	1,473	1,613	163	1,619	1,782	23	16%	146	10%	169	10%
Q-3 Totals		\$ 397	4,194	\$ 4,591	\$ 423	4,979	\$ 5,402	\$ 26	7%	785	19%	\$ 811	18%
Oct	Dec	144	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		\$ 1,414	16,750	\$ 18,164	\$ 1,194	13,423	\$ 14,616	\$ 154	11%	1,274	8%	\$ 1,428	8%

Third Quarter sales tax collections were \$811 thousand or 18% more than the same period in 2017. Of the \$811 thousand increase over the prior year, Construction related sales tax made up \$26 thousand while all other industries accounted for an increase of \$785 thousand.

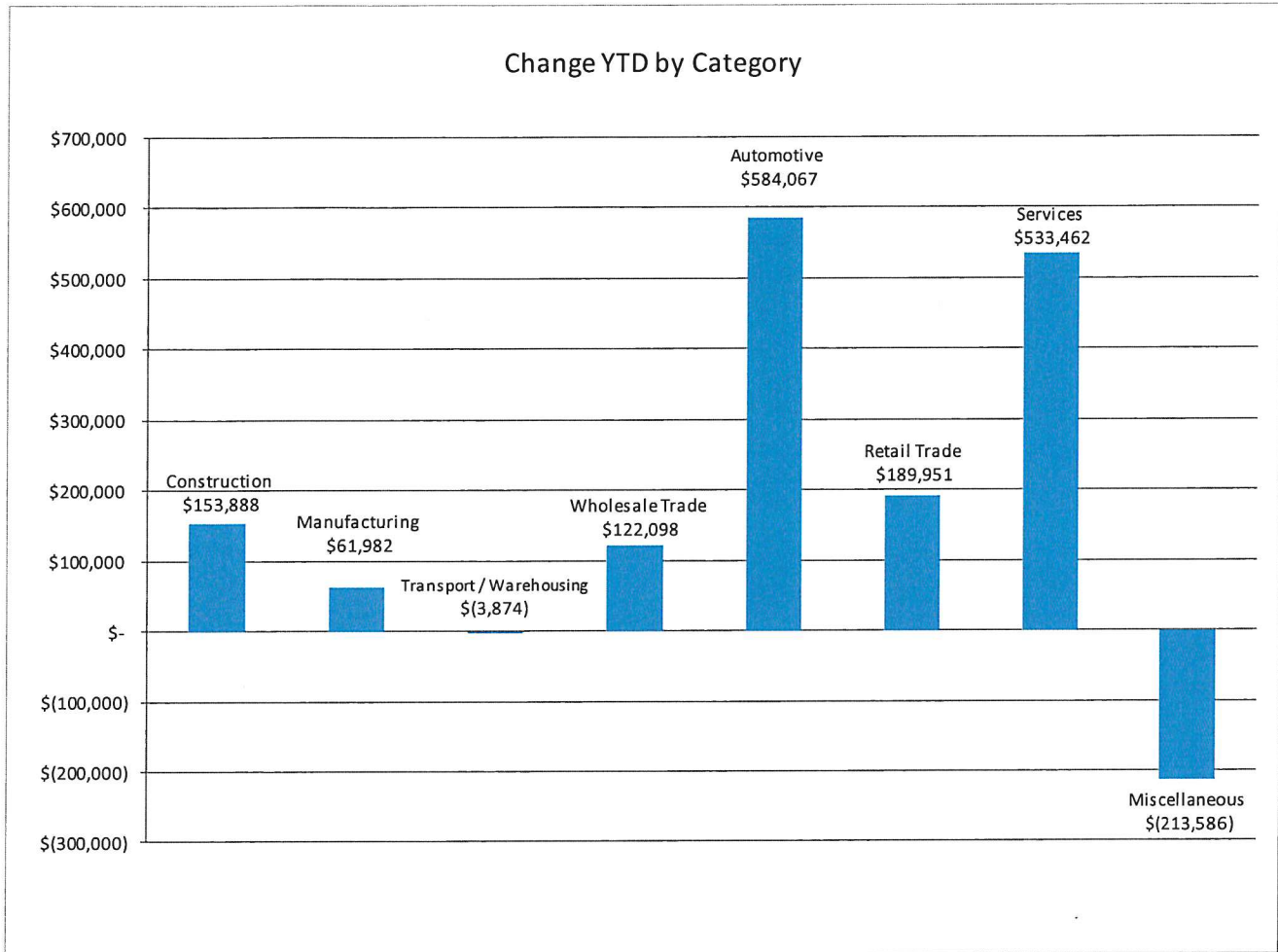
Year-to-Date through the third quarter 2018, sales tax collections are \$1.4 million or 8% more than the first three quarters of the prior year collections. If this trend continues through the fourth quarter, annual collections are expected to finish the year just over \$19.6 million.

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

		BUDGET TO ACTUAL			in \$1,000's	
		2017	2018		Variance	
-- Month --		Actual	Allocated	Actual		
Collected	Rec'd		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	1,814	160	10%
Aug	Oct	1,471	\$ 1,614	1,805	192	12%
Sep	Nov	1,613	\$ 1,770	1,782	12	1%
Q-3 Totals		\$ 4,591	\$ 5,038	\$ 5,402	\$ 364	7%
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	\$ 14,616	\$ 144	1%

Actual sales tax collected in the third quarter was \$364 thousand greater than anticipated, representing a 7% positive variance from budget. Overall year-to-date sales tax collection through the third quarter was \$144 thousand above budget, which is 1% positive variance from budget expectations.

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 slight decline of \$3,874 when compared to the prior year. The miscellaneous category contains sales tax from periodic and one-time type transactions. Adjusting for the one-time transaction in the miscellaneous category, year-over-year sales tax through the 3rd quarter 2018 increased by \$1.64 million.

As the chart above shows, there are two categories that account for more than \$1 million of this year-over-year increase. Automotive sales tax is primarily being boosted by a bus manufacturer that, in the past 5 months, has contributed approximately \$638 thousand. Within the Services category multiple groups have contributed to this growth, indicating that the sector is growing as opposed to just one taxpayer/business.

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.
452	General Merchandise Stores	\$ 1,560,561	\$ 1,521,737	\$ 38,824	2.55%
722	Food Services, Drinking Places	\$ 1,491,886	\$ 1,388,565	\$ 103,321	7.44%
448	Clothing and Accessories	\$ 1,484,547	\$ 1,445,559	\$ 38,989	2.70%
441	Motor Vehicle and Parts Dealer	\$ 1,114,040	\$ 534,900	\$ 579,140	108.27%
423	Wholesale Trade, Durable Goods	\$ 839,292	\$ 729,926	\$ 109,366	14.98%
236	Construction of Buildings	\$ 758,597	\$ 606,447	\$ 152,150	25.09%
443	Electronics and Appliances	\$ 750,716	\$ 754,936	\$ (4,220)	-0.56%
444	Building Material and Garden	\$ 619,544	\$ 602,949	\$ 16,595	2.75%
453	Miscellaneous Store Retailers	\$ 572,837	\$ 515,893	\$ 56,944	11.04%
721	Accommodation	\$ 566,937	\$ 517,003	\$ 49,933	9.66%

The top ten industries remain relatively stable with 721-Accommodation replacing 517-Telecommunications in the last spot on the list. The group with the greatest gains this year is the 441-Motor Vehicles, which is more than double the prior year primarily driven sales from a bus manufacturer. The top three categories continue to be strong, posting positive growth compared to the prior year performances. These groups provide stability to the retail sales tax collection contributing more than 30% of all sales tax collections for the city.

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	\$ 70,032	\$ 283,839	\$ (213,807)	-75.33%
454	Nonstore Retailers	\$ 120,574	\$ 184,336	\$ (63,762)	-34.59%
237	Heavy and Civil Construction	\$ 49,523	\$ 81,669	\$ (32,147)	-39.36%
621	Ambulatory Health Care Service	\$ 37,922	\$ 64,870	\$ (26,948)	-41.54%
488	Transportation Support	\$ 25,769	\$ 39,305	\$ (13,535)	-34.44%
446	Health and Personal Care Store	\$ 199,135	\$ 212,365	\$ (13,230)	-6.23%
323	Printing and Related Support	\$ 14,916	\$ 20,872	\$ (5,956)	-28.54%
515	Broadcasting (except Internet)	\$ 3,926	\$ 8,773	\$ (4,847)	-55.25%
443	Electronics and Appliances	\$ 750,716	\$ 754,936	\$ (4,220)	-0.56%
611	Educational Services	\$ 4,531	\$ 8,617	\$ (4,085)	-47.41%

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.



**SALES TAX SUMMARY**  
**3rd Quarter 2018 (Received in March 2018 - November 2018)**

NAICS	CONSTRUCTION	17 TOTAL	17 YTD	18 YTD	YTD % Diff	NAICS	AUTOMOTIVE	17 TOTAL	17 YTD	18 YTD	YTD % Diff
236	Construction of Buildings	844,136	606,447	758,597	25.1%	441	Motor Vehicle & Parts Dealer	709,541	534,900	1,114,040	108.3%
237	Heavy & Civil Construction	107,260	81,669	49,523	-39.4%	447	Gasoline Stations	91,039	68,920	73,847	7.1%
238	Specialty Trade Contractors	462,376	351,617	385,502	9.6%		<b>TOTAL AUTOMOTIVE</b>	<b>\$ 800,581</b>	<b>\$ 603,820</b>	<b>\$ 1,187,887</b>	
	<b>TOTAL CONSTRUCTION</b>	<b>\$ 1,413,773</b>	<b>\$ 1,039,734</b>	<b>\$ 1,193,622</b>			<i>Overall Automotive Change from Previous Year</i>			<b>\$584,067</b>	<b>96.7%</b>
	<i>Overall Construction Change from Previous Year</i>			<b>\$ 153,888</b>	<b>14.8%</b>						
NAICS	MANUFACTURING	17 TOTAL	17 YTD	18 YTD	YTD % Diff	NAICS	RETAIL TRADE	17 TOTAL	17 YTD	18 YTD	% Diff
311	Food Manufacturing	10,703	8,891	18,877	112.3%	442	Furniture & Home Furnishings	445,454	324,405	371,858	14.6%
312	Beverage & Tobacco Products	11,960	8,876	8,874	0.0%	443	Electronics & Appliances	1,168,189	754,936	750,716	-0.6%
313	Textile Mills	409	366	201	-45.1%	444	Building Material & Garden	805,251	602,949	619,544	2.8%
314	Textile Product Mills	14,792	10,154	10,100	-0.5%	445	Food & Beverage Stores	257,762	187,119	224,869	20.2%
315	Apparel Manufacturing	888	686	357	-48.0%	446	Health & Personal Care	298,682	212,365	199,135	-6.2%
316	Leather & Allied Products	88	53	32	-38.5%	448	Clothing & Accessories	2,066,870	1,445,559	1,484,547	2.7%
321	Wood Product Manufacturing	3,740	2,709	2,320	-14.3%	451	Sporting Goods, Hobby, Books	533,560	356,909	391,519	9.7%
322	Paper Manufacturing	24,646	18,257	18,826	3.1%	452	General Merchandise Stores	2,131,267	1,521,737	1,560,561	2.6%
323	Printing & Related Support	28,490	20,872	14,916	-28.5%	453	Miscellaneous Store Retailers	738,487	515,893	572,837	11.0%
324	Petroleum & Coal Products	41	19	73	280.2%	454	Nonstore Retailers	248,748	184,336	120,574	-34.6%
325	Chemical Manufacturing	-15,834	1,873	4,324	130.9%		<b>TOTAL RETAIL TRADE</b>	<b>\$ 8,694,271</b>	<b>\$ 6,106,210</b>	<b>\$ 6,296,160</b>	
326	Plastic & Rubber Products	3,955	3,157	4,641	47.0%		<i>Overall General Retail Change from Previous Year</i>			<b>\$189,951</b>	<b>3.1%</b>
327	Nonmetallic Mineral Products	5,081	3,446	2,954	-14.3%	NAICS	SERVICES	17 TOTAL	17 YTD	18 YTD	YTD % Diff
331	Primary Metal Manufacturing	1,803	1,213	919	-24.2%	51X	Information	820,832	580,066	680,664	17.3%
332	Fabricated Metal Mfg Products	8,752	5,931	7,999	34.9%	52X	Finance & Insurance	106,045	76,701	99,301	29.5%
333	Machinery Manufacturing	6,300	3,544	6,033	70.2%	53X	Real Estate, Rental, Leasing	623,983	454,951	486,448	6.9%
334	Computer & Electronic Products	10,531	7,877	19,771	151.0%	541	Professional, Scientific, Tech	547,039	412,456	528,657	28.2%
335	Electric Equipment, Appliances	3,949	2,960	11,734	296.5%	551	Company Management	9	0	1	0.0%
336	Transportation Equipment Mfg	29,297	19,543	41,940	114.6%	56X	Admin, Supp, Remed Svcs	170,046	121,094	237,409	96.1%
337	Furniture & Related Products	8,432	7,549	7,754	2.7%	611	Educational Services	10,355	8,617	4,531	-47.4%
339	Miscellaneous Manufacturing	19,765	12,107	19,417	60.4%	62X	Health Care Social Assistance	119,513	92,427	63,746	-31.0%
	<b>TOTAL MANUFACTURING</b>	<b>\$ 177,788</b>	<b>\$ 140,081</b>	<b>\$ 202,063</b>		71X	Arts & Entertainment	256,620	201,276	231,899	15.2%
	<i>Overall Manufacturing Change from Previous Year</i>			<b>\$61,982</b>	<b>44.2%</b>	72X	Accommodation & Food Svcs	2,536,470	1,905,568	2,058,823	8.0%
						81X	Other Services	270,882	197,986	192,910	-2.6%
NAICS	TRANSPORTATION & WAREHOUSING	17 TOTAL	17 YTD	18 YTD	YTD % Diff	92X	Public Administration	87,143	68,223	68,438	0.3%
481	Air Transportation	11	11	0	0.0%		<b>TOTAL SERVICES</b>	<b>\$ 5,548,937</b>	<b>\$ 4,119,365</b>	<b>\$ 4,652,827</b>	
482	Rail Transportation	169	97	51	-48.1%		<i>Overall Services Change from Previous Year</i>			<b>\$533,462</b>	<b>13.0%</b>
483	Water Transportation	86	61	1,617	2568.8%	NAICS	MISCELLANEOUS	17 TOTAL	17 YTD	18 YTD	YTD % Diff
484	Truck Transportation	1,852	1,380	1,282	-7.1%	000	Unknown	0	0	0	0.0%
485	Transit and Ground Passengers	395	151	452	200.0%	111-115	Agriculture, Forestry, Fishing	1,089	382	474	24.0%
487	Scenic and Sightseeing Tran	57	57	7,291	12613.5%	211-221	Mining & Utilities	547	351	479	36.6%
488	Transportation Support	47,071	39,305	25,769	-34.4%	999	Unclassifiable Establishments	296,439	283,839	70,032	-75.3%
491	Postal Services	816	673	782	16.2%		<b>MISCELLANEOUS TOTAL</b>	<b>\$ 298,074</b>	<b>\$ 284,572</b>	<b>\$ 70,985</b>	
492	Couriers & Messengers	1,600	1,413	1,563	10.6%		<i>Overall Miscellaneous Change from Previous Year</i>			<b>(\$213,586)</b>	<b>-75.1%</b>
493	Warehousing & Storage	1,878	1,332	1,799	35.1%	NAICS	WHOLESALE TRADE	17 TOTAL	17 YTD	18 YTD	YTD % Diff
	<b>TOTAL TRANSP &amp; WHSING</b>	<b>\$ 53,936</b>	<b>\$ 44,479</b>	<b>\$ 40,605</b>		423	Whls Trade-Durable Goods	1,018,477	729,926	839,292	15.0%
	<i>Overall Transportation Change from Previous Year</i>			<b>(\$3,874)</b>	<b>-8.7%</b>	424	Whls Trade-Non-durable Goods	155,695	118,357	130,690	10.4%
						425	Wholesale Electronic Markets	2,696	1,883	2,282	21.2%
							<b>WHOLESALE TRADE TOTAL</b>	<b>\$ 1,176,868</b>	<b>\$ 850,166</b>	<b>\$ 972,264</b>	
							<i>Overall Wholesale Change from Previous Year</i>			<b>\$122,098</b>	<b>14.4%</b>
						NAICS	GRAND TOTALS	17 TOTAL	17 YTD	18 YTD	YTD % Diff
								<b>\$18,164,227</b>	<b>\$13,188,426</b>	<b>\$14,616,413</b>	
							<i>Grand Total Change from Previous Year</i>			<b>\$1,427,987</b>	<b>10.83%</b>
							<i>Grand Total Change from Previous Year - Without New Construction</i>			<b>\$1,274,099</b>	<b>10.49%</b>

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

**Schedule IV - Gambling Tax** <sup>(a)</sup>

Quarter Earned	2017 Actual	(d) 2018 Actual	2018 Allocated Budget	INCREASE (DECREASE)			
				YEAR OVER YEAR		BUDGET VARIANCE	
				Amount	%	Amount	%
Q1	\$ 977,003	\$ 988,421	\$ 995,831	\$ 11,418	1%	\$ (7,410)	-1%
Q2	983,322	841,104	1,002,272	(142,218)	-14%	(161,168)	-16%
Q3	951,991	985,439	970,337	33,448	4%	15,102	2%
Q4	958,503		976,974				
<b>Totals</b>	<b>\$ 3,870,819</b>	<b>\$ 2,814,964</b>	<b>\$ 3,945,414</b>	<b>\$ (97,352)</b>	<b>-3%</b>	<b>\$ (153,476)</b>	<b>-4%</b>

During the third quarter Gambling tax revenue was 4% above the same period of the prior year and 2% greater than budget expectations. The City has four casinos – the Riverside Inn, the Great American, the Fortune and the Macau. An analysis of the third quarter gambling taxes show that, after the decline in the second quarter, the gambling revenue has bounced back to expected levels in the third quarter. While still anticipated to come in under budget, the variance is primarily a result of second quarter underperformance. 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** <sup>(b)</sup>

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	249,096	167,263	91,522	58%	81,833	49%
Q3	177,422	281,591	188,331	104,169	59%	93,260	50%
Q4	171,641		182,195				
<b>Totals</b>	<b>\$ 672,640</b>	<b>\$ 736,724</b>	<b>\$ 714,000</b>	<b>\$ 235,725</b>	<b>35%</b>	<b>\$ 204,919</b>	<b>29%</b>

Admissions tax has continued to be strong through the third quarter of 2018. During the third quarter, the City recognized \$73 thousand of admission tax revenue for past due taxes from a business that had not paid taxes since opening in 2015. The business will remit the past due amounts in seven payments, Nov '18-May '19.

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

**Schedule VI - Telecommunications Utility Tax** <sup>(c)</sup>

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	266,244	383,486	(122,189)	-31%	(117,242)	-31%
Q4	316,497		312,466				
<b>Totals</b>	<b>\$ 1,341,094</b>	<b>\$ 838,753</b>	<b>\$ 1,324,013</b>	<b>\$ (185,844)</b>	<b>-14%</b>	<b>\$ (172,794)</b>	<b>-13%</b>

Third quarter telecommunications utility tax was \$122 thousand, or 31% less than the previous year and \$117 thousand less than budget. This large variance is partly driven by an \$80k payment received in 2017 for past due taxes. Excluding this prior year payment from the 2017 activity; third quarter 2018 activity was \$42k or 25% under the same period for the prior year. 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.