September 1, 2021
ITOC Agenda Item 8.2
Continued From: New
Action Requested: INFORMATION

NAPA VALLEY TRANSPORTATION AUTHORITY-TAX AGENCY
ITOC Agenda Letter

TO: Independent Taxpayer Oversight Committee

FROM: Kate Miller, Executive Director

REPORT BY: Antonio Onorato, Director, Administration, Finance, and Policy
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SUBJECT: Fiscal Year 2020-21 Year-To-Date Financial Update

RECOMMENDATION

That the ITOC review a report on Measure T sales tax revenues provided by the Auditor-Controller which presents the actual revenues-to-date compared to projections for FY 2020-21.

EXECUTIVE SUMMARY

The Auditor-Controller will provide detailed handouts showing actual revenues received and allocations made to the member jurisdictions. The Background and Discussion section of this memo presents revenues received year-to-date compared to projections and the five (5) year revenue outlook. Additionally, HdL Companies, NVTA's sales tax consultant, has provided the most recent quarterly sales tax update for the quarter period of October – December 2020.

BACKGROUND AND DISCUSSION

NVTA's receipts from January through March 2021 were 32.6% above the first sales period in 2020; inflated by payments missing from the comparable quarter due to the Governor's deferral program. Excluding reporting aberrations, actual sales were up 2.7%.

Wineries were slightly down for the transaction tax, as a large portion of the county's sales were shipped to locations outside the county. New and used motor vehicle sales were boosted by the historic high prices and strong demand; the autos-transportation group posted gains of 24%. Building materials followed the statewide trend of solid gains.

Service stations receipts were down during this period as prices were still lower. Restaurants-hotels were down 18% as expected because the second shelter-in-place prohibited on-site dining for a portion of this quarter.

In the comparable quarter the beginning of the Covid restrictions required businesses that were deemed non-essential to temporarily close. This temporary closure reduced returns for that quarter. The 21% growth in general consumer goods is partially related to those lower returns, but also to the continued surge in online shopping.

Table 1 presents the FY 2020-21 projections compared to actual revenues year-to-date.

Table 1: FY2020-21 Projection vs. Actuals Year-To-Date

MONTH	Projection	Actual	Difference $	Difference %
July	$1,320,000	$1,780,214	$460,214	34.9%
August	1,450,000	1,974,972	524,972	36.2%
September	1,501,000	1,137,412	(363,588)	(24.2%)
Quarter Total	$4,271,000	$4,892,598	621,598	12.7%
October	$1,631,200	$1,631,879	$679	.0%
November	1,412,000	1,610,520	198,520	14.1%
December	1,500,000	1,439,979	(60,021)	(4%)
Quarter Total	$4,543,200	$4,682,378	139,178	3.1%
January	1,400,000	$1,483,302	83,302	6%
February	1,350,000	1,568,455	218,455	16.2%
March	1,430,000	1,554,534	124,534	8.7%
Quarter Total	$4,180,000	$4,606,291	$426,291	10.2%
April	1,400,000	$1,690,919	290,919	20.8%
May	1,500,000	2,023,930	523,930	34.9%
June	1,600,000	-	-	%
Quarter Total	$4,500,000	$-	$-	%
Total Revenues (To Date)	$17,494,200	$17,896,116	$-	9%

Table 2 provides actual revenues for FYs 2018-19 and 2019-20 and revenue projections for the next five years. Revenues are expected to increase slightly in FY2020-21 and FY2021-22, then reach pre-pandemic levels by FY 2022-23. With assistance from HdL, staff is monitoring the projections carefully which may change as the economic conditions evolves.

Table 2: Current and five (5) year revenue projection

Actual	**Actual**	**Projection**				
2018-19	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
$19,667,929	$18,597,428	$17,494,200	$19,464,500	$20,676,000	$21,104,600	$21,442,200

ATTACHMENTS

(1) NVTA Sales Tax Update – Newsletter
(2) Handouts will provided at the meeting

NVTA
SALES TAX UPDATE
1Q 2021 (JANUARY - MARCH)

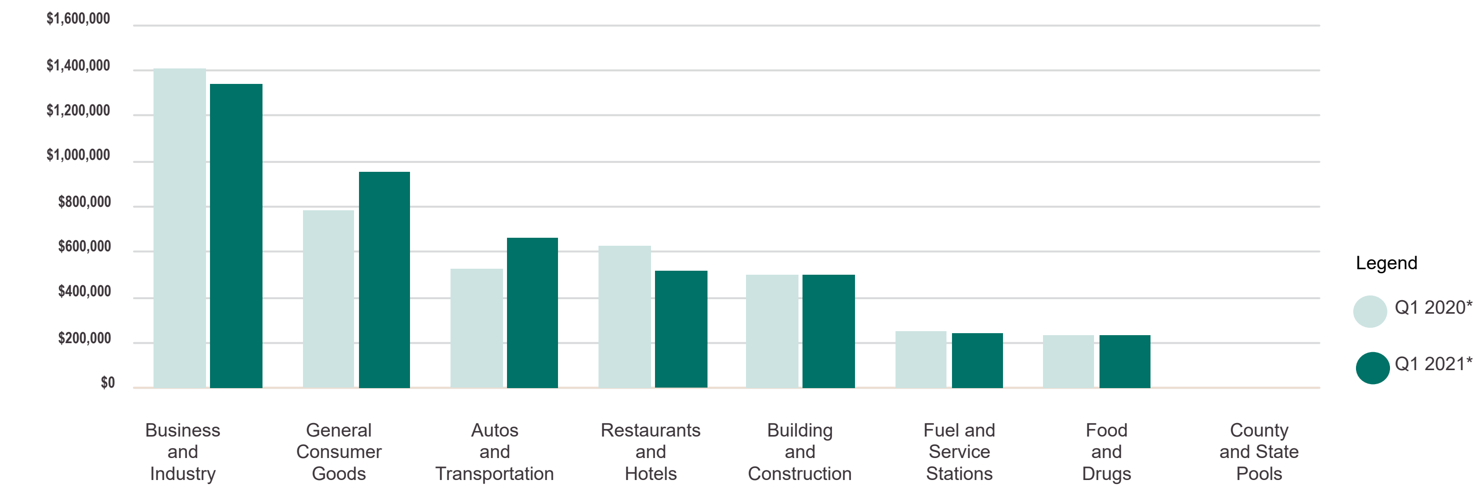
NVTA

TOTAL: $ 4,477,853

2.7% 1Q2021	2.3% COUNTY	9.5% STATE

*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



NAPA VALLEY TRANSPORTATION AUTHORITY (NVTA) HIGHLIGHTS

Napa Valley Transportation Authority (NVTA)'s receipts from January through March were 32.6% above the first sales period in 2020; inflated by payments missing from the comparable quarter due to the Governor's deferral program. Excluding reporting aberrations, actual sales were up 2.7%.

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Net of aberrations, taxable sales for all of Napa County grew 2.3% over the comparable time period; the Bay Area was up 0.8%.

TOP NON-CONFIDENTIAL BUSINESS TYPES

Napa Valley Transportation Authority (NVTA)			HdL State
Business Type	**Q1 '21***	**Change**	**Change**
Wineries	619.6	-1.8%	0.8%
New Motor Vehicle Dealers	374.1	23.0%	33.2%
Building Materials	279.5	12.5%	19.0%
General Merchandise	231.3	35.8%	7.1%
Service Stations	224.3	-4.9%	-4.0%
Casual Dining	205.0	-5.0%	-18.9%
Discount Dept Stores	185.4	9.9%	8.4%
Contractors	129.6	-20.6%	3.6%
Grocery Stores	114.5	-2.5%	-6.2%
Home Furnishings	113.1	20.4%	19.3%

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars

HdL Companies
www.hdlcompanies.com | 888.861.0220
Published by HdL Companies in Summer 2021

STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor's first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV's, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions. Changes in business structure required a taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online.

Although indoor dining was available in many counties, the recovery for restaurants and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.

MAJOR BUSINESS GROUP TRENDS BY COUNTY

Percent Change from 1st Quarter 2020 *

	Autos/Tran.	Bldg/Const	Bus/ind.	Food/Drug	Fuel	Cons. Goods	Restaurants
Alameda Co.	13.6%	3.4%	-6.7%	-7.9%	-12.7%	1.7%	-18.9%
Contra Costa Co.	19.8%	26.6%	26.4%	-0.3%	-8.4%	11.3%	-11.2%
Marin Co.	42.1%	8.2%	2.2%	-8.9%	-4.7%	13.0%	-16.2%
Napa Co.	8.4%	7.0%	3.3%	-2.3%	-4.7%	5.4%	-18.4%
San Francisco Co.	13.0%	-11.5%	-25.5%	-18.8%	-35.9%	-17.4%	-53.8%
San Mateo Co.	7.0%	6.3%	56.1%	-11.4%	-26.8%	2.2%	-29.3%
Santa Clara Co.	11.1%	4.7%	15.2%	-11.0%	-14.6%	-2.6%	-25.1%
Solano Co.	33.8%	9.5%	7.6%	1.0%	-2.8%	14.8%	-2.1%
Sonoma Co.	14.4%	1.9%	1.0%	-3.3%	-3.9%	7.0%	-12.9%

**Allocation aberrations have been adjusted to reflect sales activity*