



# Revenue Participation Agreement with Walmart.Com

San Bruno City Council  
October 13, 2020

Presented by:

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# Objective and Agenda



- ▶ **Background**
  - Walmart.com
  - Sales Tax
- ▶ **Review Features of Proposed Agreement**
- ▶ **Discuss Next Steps**

# Background - Walmart.com



- ▶ **Primary E-commerce Headquarters Located in San Bruno**
- ▶ **Employs More than 2,000 People**
- ▶ **Owns Building; Performing Tenant Improvements**
- ▶ **Sells Inventory Owned by Walmart and Other Vendors on its Platform; Ships to Locations throughout State**
- ▶ **Seeking to Designate San Bruno as Point of Sale for these Online Transactions**
  - **Result: Potential Sales Tax Revenue to City**

# Background - Sales Tax



- ▶ **Sales Tax Allocation: 1% to City**
  - **Important Revenue Source**
    - 2nd Largest After Property Tax
    - 13% of General Fund Budget
  - **Sales Tax has been Declining due to Retail Store Closures and COVID-19 Recession**

# Background - Sales Tax



- ▶ **Recent Legal Changes Applicable to Online Sales Platforms**
  - **2018: U.S. Supreme Court Decision in South Dakota v. Wayfair**
    - Online Platforms Must Remit Sales Tax Even if no Physical Presence in State
  - **2019: California Marketplace Facilitator Act**
    - Online Platforms Must Also Remit Tax on Sales by Remote Sellers
  - **Result: Walmart.com Reevaluated CA Operations and E-commerce Sales; Opportunity for Potential Participation Agreement**

# Other Sales Tax Sharing Agreements



- ▶ **City Reviewed 16 Other Similar Agreements throughout California**
  - **Terms Average 19 Years with Median of 15 Years**
    - **Longest Term is 41 Years**
  - **Average City Revenue Sharing Percentage is Approximately 50%**



# Proposed Agreement Between City of San Bruno and Walmart.com

## ▶ Main Features of Agreement

- Walmart.com Shifts Sales Transactions to the City of San Bruno
- Share 1% Local Sales Tax
  - Totals Approximately \$6.2 million
  - City to Receive 58%
- 25 Year Term

## ▶ Does Not Affect Measure G Sales Tax Allocation

# Features of Proposed Agreement



<b>Total Estimated Tax to be Distributed</b>			<b>\$6,200,000</b>
<b>Base Amount</b>			
<b>Amount</b>	<b>Percent to City</b>	<b>City</b>	<b>Walmart</b>
\$3,500,000	65%	\$2,275,000	\$1,225,000
<b>Remaining Above Base</b>			
<b>Amount</b>	<b>Percent to City</b>	<b>City</b>	<b>Walmart</b>
\$2,700,000	50%	\$1,350,000	\$1,350,000
<b>Total</b>			
<b>Amount</b>	<b>Percent to City</b>	<b>City</b>	<b>Walmart</b>
\$6,200,000	58%	\$3,625,000	\$2,575,000





# Next Steps

## ▶ Actions Required at October 27 City Council Meeting

- Hold Public Hearing on Required Economic Development Subsidy Report and Adopt Resolution Approving the Report
- Adopt Resolution Authorizing City Manager to Enter into Participation Agreement