



Revenue Participation Agreement with Walmart.Com

San Bruno City Council
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Presented by:

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Objective and Agenda



- ▶ **Background**
- ▶ **Review Features of Proposed Agreement**
- ▶ **Hold Public Hearing Regarding Economic Development Subsidy Report**
- ▶ **Adopt Resolution Accepting Report and Authorizing City Manager to Execute Agreement**

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 to designate SB as point of sale**

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



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

Next Steps



► Tonight's Actions

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