

DFW ECONOMIC TRENDS  
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TRENDS IN CITY  
MANAGEMENT

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## HELLO, I'M CHAD JANICEK

- ▶ 11 years in city government
- ▶ Co-founder of ZacTax
- ▶ '80s movies fan

## ABOUT ZACTAX

- ▶ We provide sales tax analysis, audit, and forecasting services for 100+ cities across Texas
  - ▶ 25 in Metroplex, 12 in Tarrant County
- ▶ Data are confidential, so we can't get too detailed today

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STATEWIDE

## SALES TAX TRENDS

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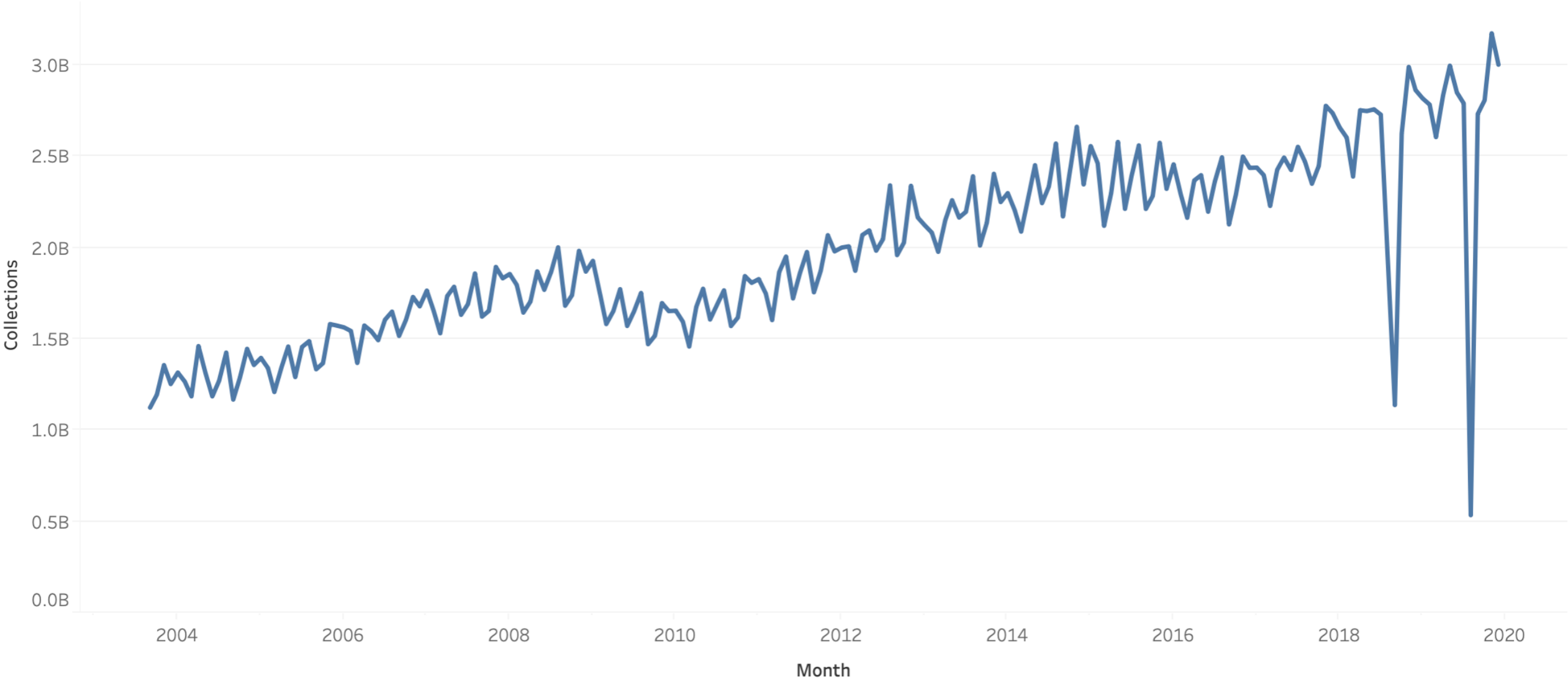
### STATEWIDE

- ▶ ~\$3.2b in calendar year 2019
- ▶ 12m average is up ~6% since December 2018

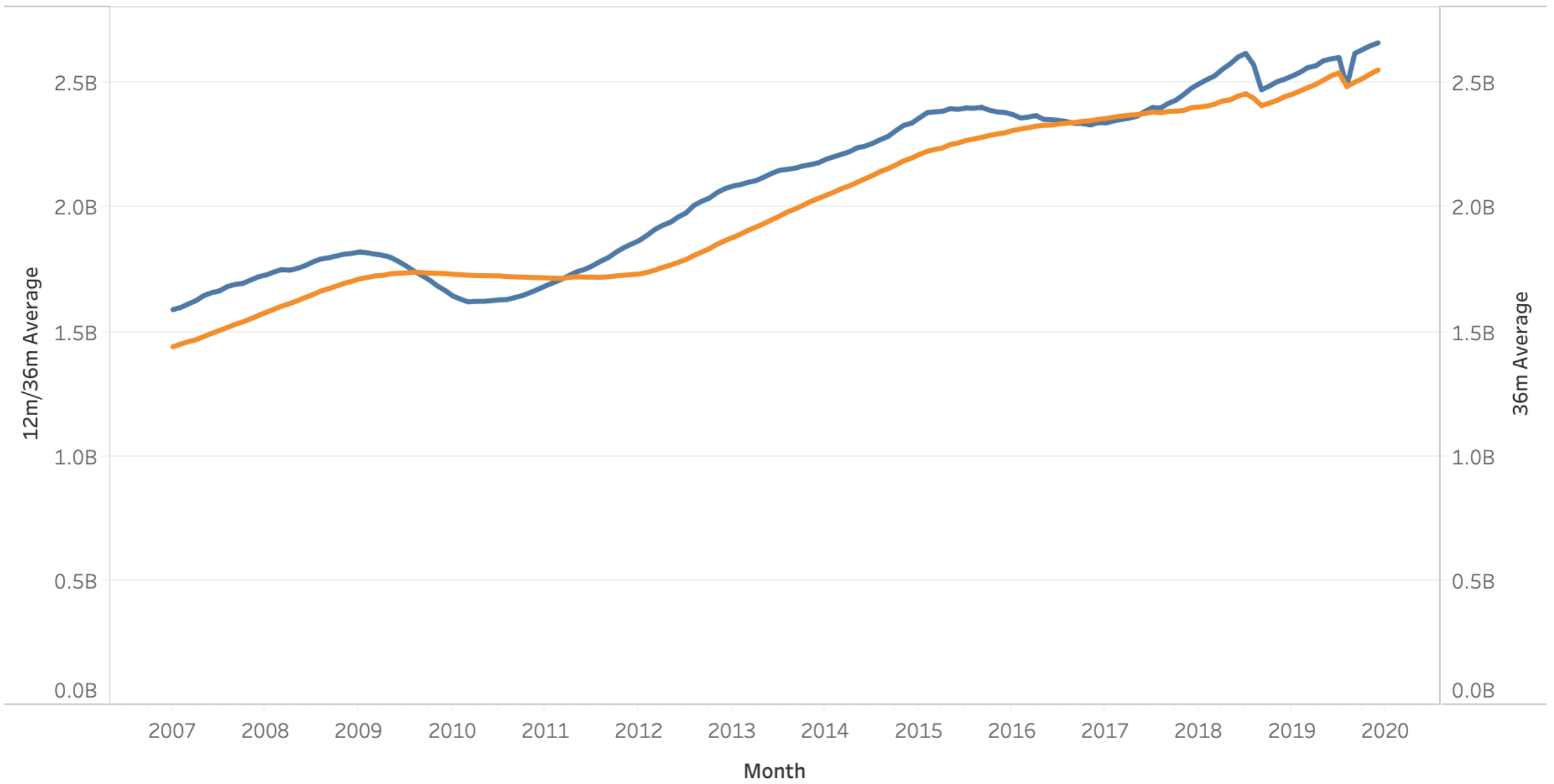
### STATEWIDE

- ▶ Growing pretty steadily since May 2017
- ▶ Oddities are due to revenue allocation
  - ▶ This chart shows revenue recorded to the general fund
  - ▶ Some sales taxes are recorded in other funds at the end of the fiscal years (rainy day, transportation, etc)

# Monthly Statewide Payments



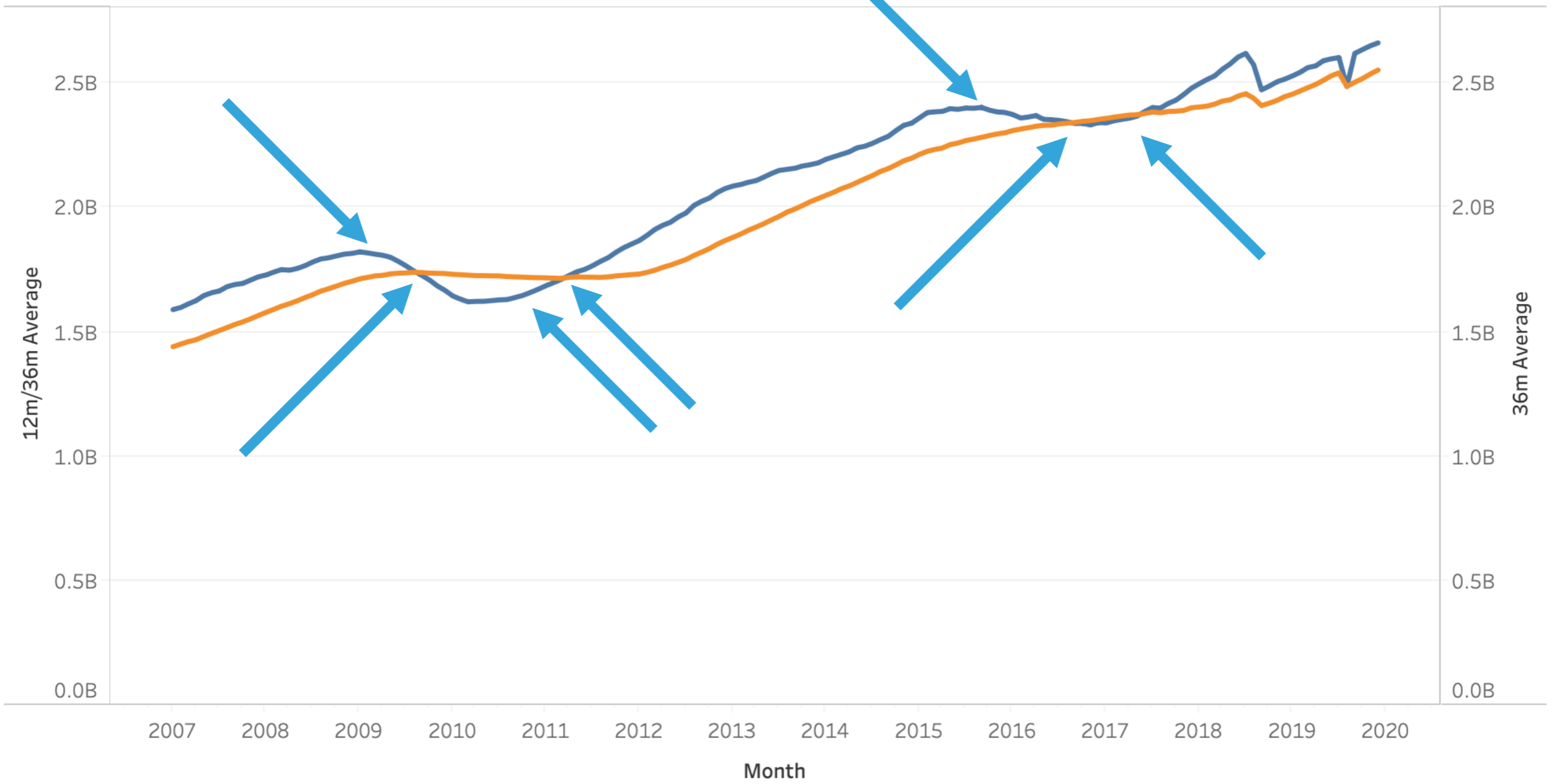
# Statewide Moving Averages



**Measure Names**  
■ 12m Average  
■ 36m Average



# Statewide Moving Averages



**Measure Names**  
■ 12m Average  
■ 36m Average

## STATEWIDE ECONOMIC FORECASTS

- ▶ Despite challenges, growth continued in key indicators in 2019 (rate of growth slowed, though)
- ▶ Dallas Fed expects continued headwinds, but continued expansion in 2020

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DFW

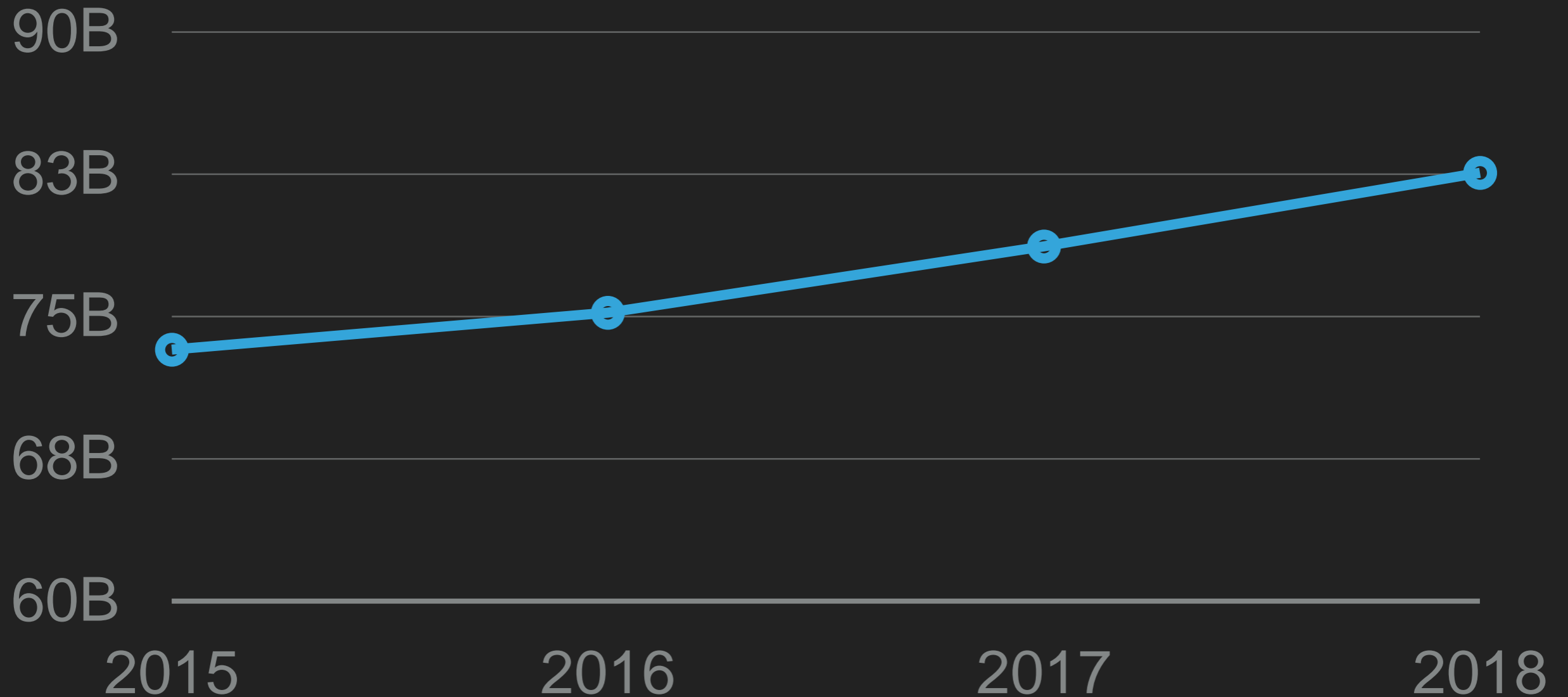
### DFW METROPLEX

- ▶ Sample of 26 cities large & small across the metroplex
- ▶ ~5% growth in 12m average over last 4 years

## SALES TAX TRENDS

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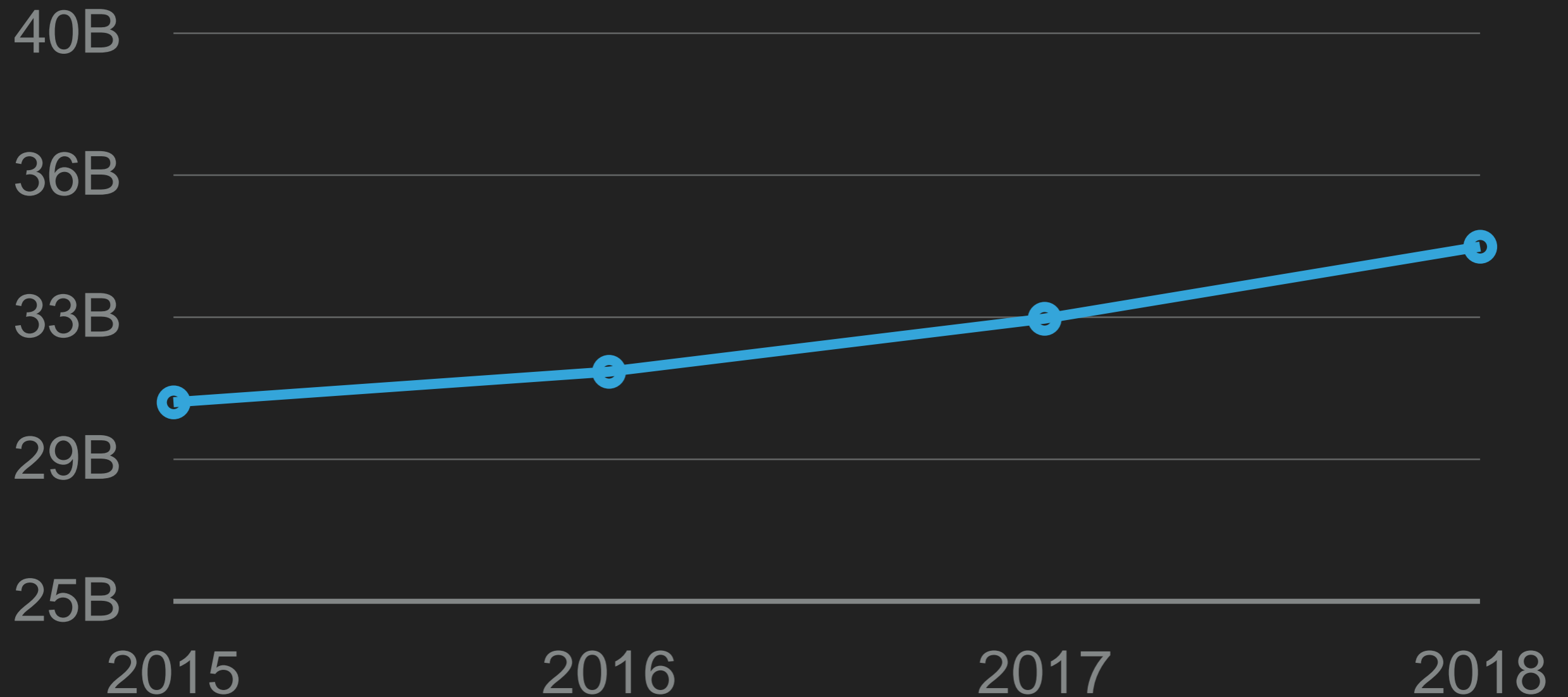
# TAXABLE SALES (DALLAS/PLANO/IRVING)



## SALES TAX TRENDS

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# TAXABLE SALES (FORT WORTH/ARLINGTON)



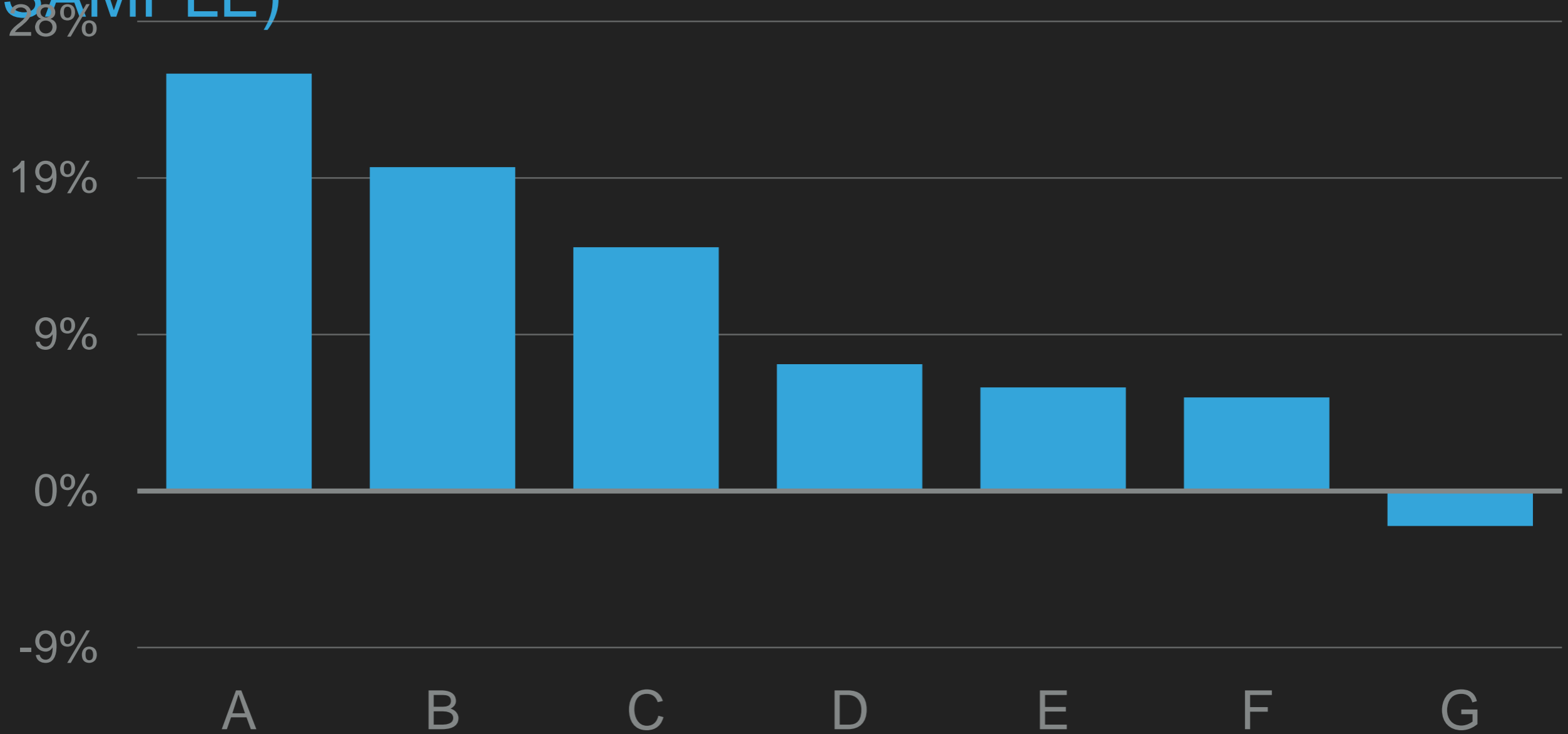
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# TARRANT COUNTY

# SALES TAX TRENDS

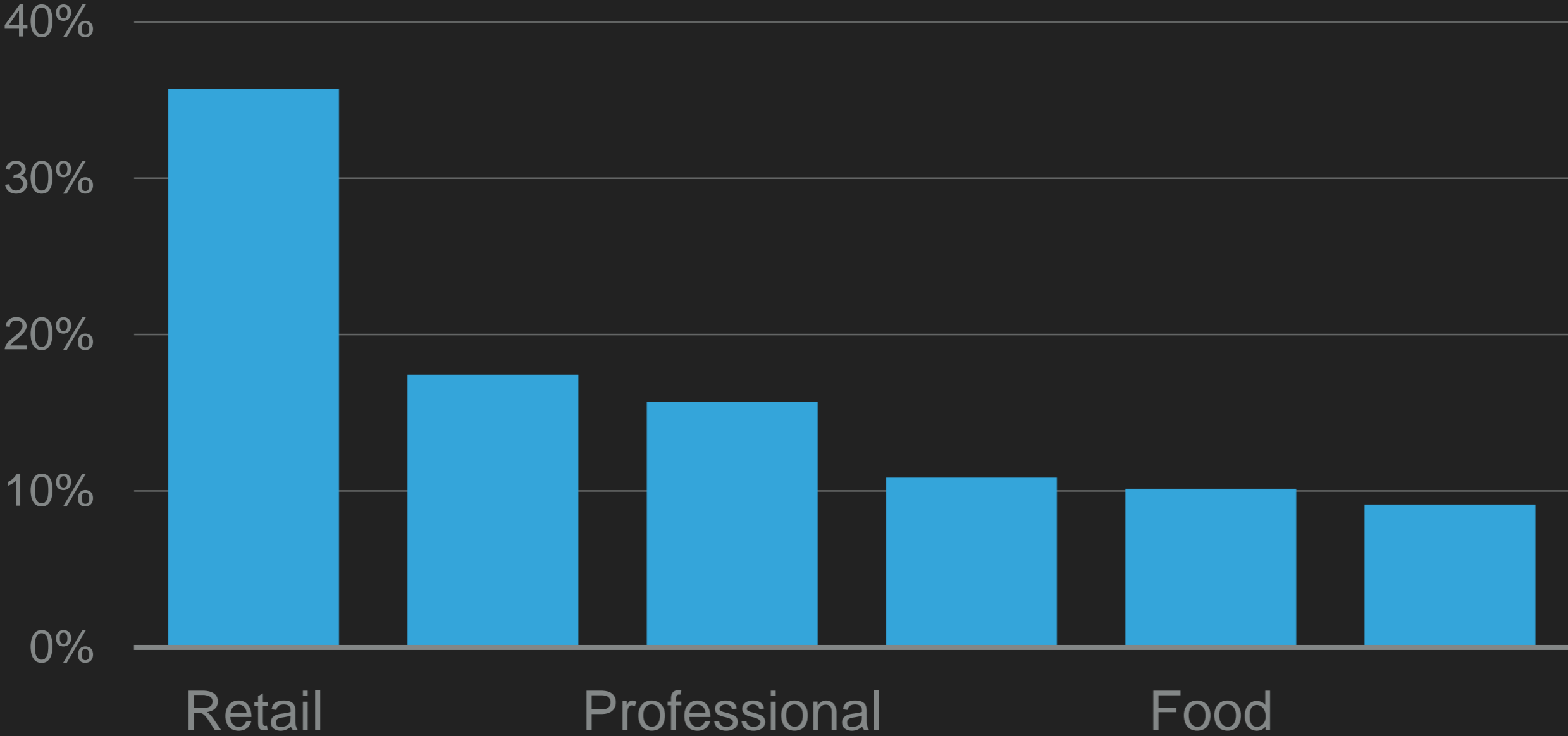
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## 2019 GROWTH/DECLINE (TARRANT COUNTY SAMPLE)





# TARRANT COUNTY - DIVERSIFICATION



## TARRANT COUNTY - RETAIL

- ▶ Accounted for 21% - 46% of 2019 sales taxes
- ▶ Declined in 2 of the 7 cities
- ▶ Grew in 5 of 7 (average 7%)

## TARRANT COUNTY - GENERAL SERVICES

- ▶ Energy, trash, construction
- ▶ Accounted for 11-22% of 2019 sales taxes
- ▶ Declined in only 1 of the 7 cities\*
- ▶ Should generally track population + inflation, except for construction related items

## TARRANT COUNTY - PROFESSIONAL SERVICES

- ▶ Telecom, B2B, tech services (AWS, Verizon, etc)
- ▶ Accounted for 11-28% of 2019 sales taxes
- ▶ Saw no decline in the sample group

## TARRANT COUNTY - FOOD

- ▶ Accounted for 7-13% of 2019 sales taxes
- ▶ Some growth where new restaurants came online
- ▶ Otherwise, relatively flat/consistent with inflation

## TARRANT COUNTY - OTHER SECTORS

- ▶ Manufacturing not a large component in this group
  - ▶ One outlier
- ▶ Wholesale is a bit boom or bust in this group
  - ▶ Either you have a lot or not much at all
  - ▶ Generally saw good growth

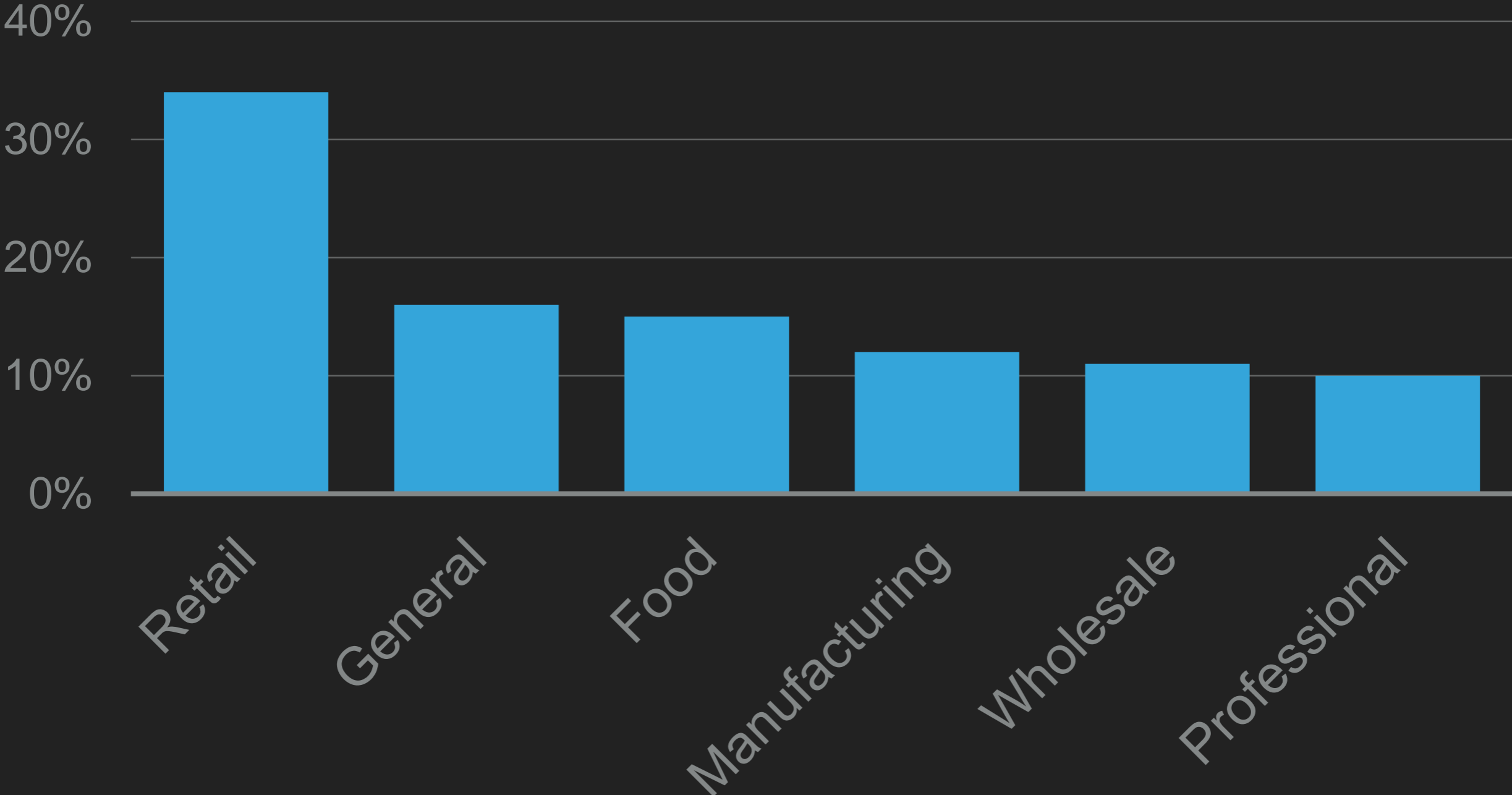
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SAGINAW

SALES TAX TRENDS

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# SAGINAW - DIVERSIFICATION





## COMPOSITION

- ▶ More diversified than the average from the Tarrant County sample group
- ▶ This diversification both grew and also helped the city in 2019

## RECENT TRENDS IN SAGINAW (2019)

- ▶ 12-month average is up 7.5%
- ▶ Largely from growth in tax base
- ▶ Retail down a bit, food about on par with inflation
- ▶ Professional, wholesale, manufacturing growth from new taxpayers

## OTHER CHANGES IN RETAIL

- ▶ Online shopping does continue to grow, but online sales are now fully taxable
- ▶ Rule change proposals may help cities like Saginaw as well

## OVERALL, PRETTY GOOD NEWS

- ▶ Although retail sales are down, tax base is diversifying
- ▶ Professional, wholesale, & manufacturing can help balance out business cycle ebbs and flows
- ▶ That's good for you as a resident and/or business owner
- ▶ Manufacturing/wholesale often come with solid property values per acre

# TRENDS IN CITY MANAGEMENT

## WHAT'S CHANGING AMONG CITIES?

- ▶ Audit requirements are making cities look at long-term liabilities differently
- ▶ Are streets assets? Pipes? Pumps?
- ▶ If not, are we actually financially solvent?

## WHAT IS STRONG TOWNS?

- ▶ Non-profit from Minnesota
- ▶ Focused on building resilient communities
- ▶ Has raised many issues about our post-war development style and whether its fiscally sustainable

### KEY METRICS: VALUE PER ACRE

- ▶ Very valuable productivity measure
- ▶ V/A comparisons
  - ▶ Walmart - pretty decent
  - ▶ Inline retail next to Walmart - about the same
  - ▶ Coffee shop in the Walmart parking lot - 2X the V/A



### KEY METRICS: VALUE PER ACRE

- ▶ When you look at V/A (especially considering property taxes), the flashy new development doesn't look as good to city managers.
- ▶ What looks good is the established development that's been around for a while and has slowly changed and evolved over time.

## RETURN ON INVESTMENT

- ▶ “Will we make any money on this?”
- ▶ 20:1 - 40:1 value to infrastructure
- ▶ Cities will become more savvy about evaluating ROI

## CHANGING FOCUS OF CITIES

- ▶ Cities today are focused on growth
- ▶ Will start to focus on highly-productive value-per-acre areas

## CHANGING FOCUS OF CITIES

- ▶ Wealth creation > growth
  - ▶ Maintain what we have rather than building new
- ▶ Creating flexible, adaptable communities

THANKS!