

Q1 2018



City of Healdsburg Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Healdsburg In Brief

Healdsburg's receipts from January through March were 1.8% below the first sales period in 2017. Excluding reporting aberrations, actual sales were up 5.2%.

Building materials posted much higher receipts; however, the overall results were lessened by a late vendor payment last year. Revenues from both casual and fine dining restaurants grew; recent openings of successful establishments contributed to the positive outcome.

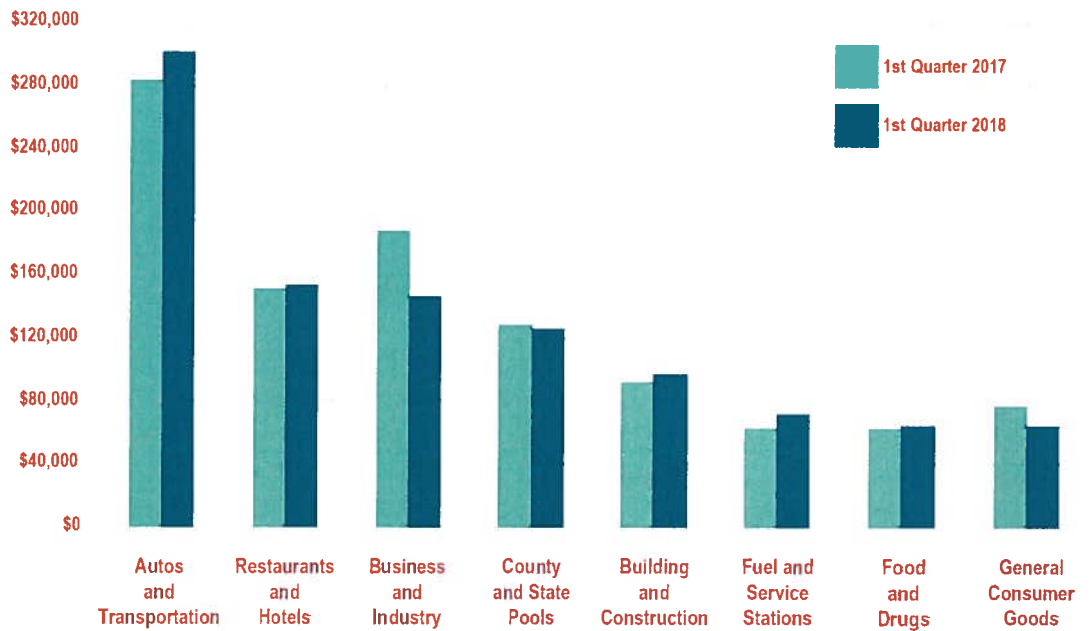
Fuel prices rising into the winter months yielded bigger service stations collections. Buyers seized ample inventory options at autos-transportation businesses, who reported healthy sales activity.

Returns fell at wineries and garden/agricultural suppliers; more broadly, the business and industry group declined in part due to year ago account adjustments that skew the comparison.

Measure V added \$442,490, a 2.5% increase in local, voter approved taxes. The upturn in construction, fuel-service stations and general consumer goods offset decreases in other categories.

Net of aberrations, taxable sales for all of Sonoma County grew 8.4% over the comparable time period; the Bay Area was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Bamdiva	McConnel Chevrolet
Big Johns Market	Chrysler Dodge Jeep
Campo Fina	Opperman & Son
Carlsen & Associates	Rotten Robbie
Central Valley Builders Supply	Safeway
CVS Pharmacy	Sanderson Ford
E & M Electric & Machinery	Silveira Buick/GMC
Fast Lane Gas & Food	Singlethread Farm Restaurant Inn
Garrett Hardware & Plumbing	Westtec Tank & Equipment Company
Healdsburg Gas Mart	Wilbur Ellis
Healdsburg Lumber	Willi's Seafood & Raw Bar
Healdsburg Shed	Wine Country Chevron
Jerrys Valero	Winegrowers of Dry Creek Valley

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$4,004,786	\$4,181,986
County Pool	535,413	531,544
State Pool	2,991	1,345
Gross Receipts	\$4,543,189	\$4,714,875
Cty/Cnty Share	(113,580)	(117,872)
Net Receipts	\$4,429,610	\$4,597,003
Measure V	\$1,949,332	\$2,073,152

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

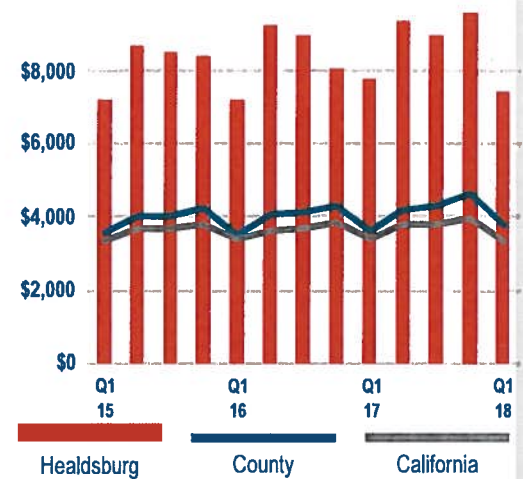
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the online interstate marketplace was not the prevailing issue before the court in 1992.

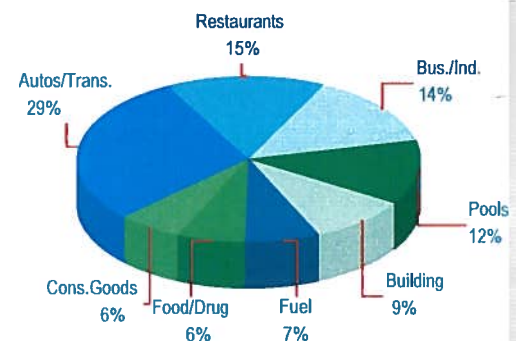
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Healdsburg This Quarter



HEALDSBURG TOP 15 BUSINESS TYPES

Business Type	Healdsburg		County	HdL State
	Q1 '18	Change	Change	Change
Automotive Supply Stores	14,409	-2.6%	0.7%	-4.1%
Building Materials	84,022	10.3%	12.1%	3.8%
Casual Dining	88,530	7.8%	5.1%	-2.0%
Drug Stores	— CONFIDENTIAL —	—	-18.0%	-27.9%
Fine Dining	29,465	12.0%	1.6%	5.5%
Food Service Equip./Supplies	16,111	0.5%	-12.1%	-3.9%
Garden/Agricultural Supplies	24,239	-16.0%	-3.4%	3.0%
Grocery Stores	41,320	6.0%	-2.7%	1.9%
Heavy Industrial	— CONFIDENTIAL —	—	-3.0%	11.7%
Home Furnishings	11,949	-15.0%	11.0%	-1.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-6.8%	-0.2%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	11.0%	-3.8%
Service Stations	72,382	15.8%	10.1%	4.6%
Used Automotive Dealers	— CONFIDENTIAL —	—	19.2%	-4.3%
Wineries	55,954	-10.4%	0.2%	-2.5%
Total All Accounts	899,896	-1.9%	3.9%	-1.8%
County & State Pool Allocation	126,552	-1.1%	4.7%	-2.1%
Gross Receipts	1,026,449	-1.8%	4.0%	-1.8%
City/County Share	(25,661)	1.8%		
Net Receipts	1,000,787	-1.8%		