

Q2 2016



City of Healdsburg Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Healdsburg In Brief

Healdsburg's receipts from April through June were 7.9% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 6.5%.

Strong sales growth in wineries and wine-related businesses boosted business and industry and was a major factor in the overall gain. An accounting adjustment and higher sales lifted the automotive sector.

Receipts from newly opened casual dining eateries and higher quick-service sales were mainly offset by lower returns from fine dining restaurants and hotels. Lumber/building material sales were strong, while grocery store sales posted moderate gains.

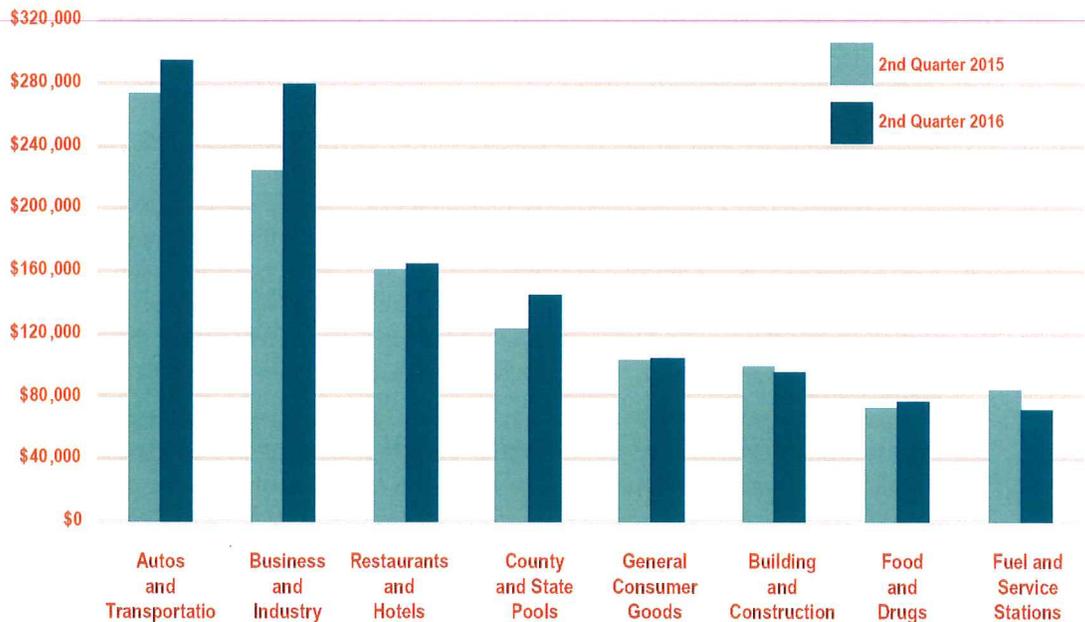
The City's allocation from the countywide use tax pool increased 17.4% over the previous year due largely to the correction of a prior multi-year misallocation that inflated the pool during the quarter.

The gains were partially offset by lower service station receipts.

The voter-approved Measure V transaction tax added \$521,505, a 8.1% increase over the prior year. The business to business and building and construction sectors were major factors in the gain.

Net of aberrations, taxable sales for all of Sonoma County grew 4.1% over the comparable time period; the Bay Area was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Barndiva	McConnel Chevrolet
Big Johns Market	Chrysler Dodge Jeep
Carlsen & Associates	Opperman & Son
Central Valley Builders Supply	Purity Products
Criveller California	Rotten Robbie
E & M Electric & Machinery	Safeway
Garrett Hardware & Plumbing	Saint Dizier Design
General Motors Acceptance	Sanderson Ford
Healdsburg Lumber	Silveira Buick/GMC
Healdsburg Shed	Westtec Tank & Equipment Company
Hotel Healdsburg	Wilbur Ellis
Jerrys Valero	Willi's Seafood & Raw Bar
JM Power Systems	Wine Country Chevron

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$3,687,101	\$3,914,406
County Pool	438,128	486,837
State Pool	2,470	2,227
Gross Receipts	\$4,127,699	\$4,403,471
Cty/Cnty Share	(103,192)	(110,087)
Net Receipts	\$4,024,506	\$4,293,384
Less Triple Flip*	\$(1,006,127)	\$(541,567)
Measure V	\$1,856,343	\$1,911,687

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

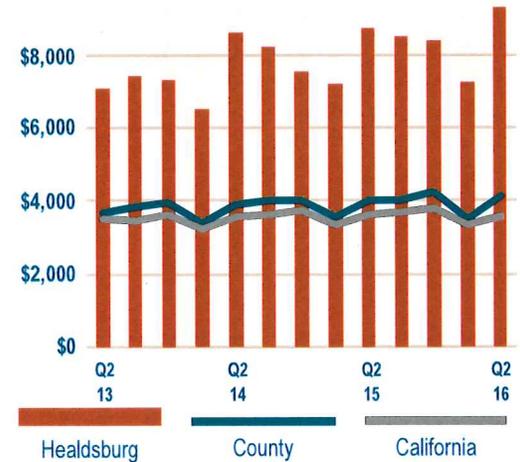
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

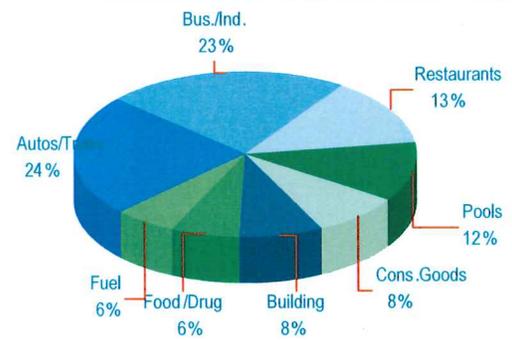
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Healdsburg This Quarter



HEALDSBURG TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Healdsburg		County	HdL State
	Q2 '16*	Change	Change	Change
Casual Dining	106.0	8.0%	1.7%	4.5%
Electrical Equipment	— CONFIDENTIAL —	—	-14.7%	23.5%
Fine Dining	22.4	-2.1%	28.2%	11.2%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	6.5%	13.8%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	11.0%	5.8%
Grocery Stores Liquor	45.1	4.2%	5.8%	1.1%
Hardware Stores	— CONFIDENTIAL —	—	8.3%	5.6%
Home Furnishings	20.3	24.9%	16.2%	1.4%
Lumber/Building Materials	61.2	12.5%	4.7%	3.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	7.8%	2.7%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	-5.4%	3.9%
Service Stations	72.0	-15.2%	-28.6%	-19.2%
Specialty Stores	20.2	2.2%	5.1%	2.1%
Used Automotive Dealers	— CONFIDENTIAL —	—	16.0%	11.0%
Wineries	63.7	18.0%	15.8%	7.3%
Total All Accounts	1,088.0	6.8%	2.4%	-0.6%
County & State Pool Allocation	144.3	16.9%	12.1%	15.2%
Gross Receipts	1,232.2	7.9%	3.5%	1.4%
City/County Share	(30.8)	-7.9%		
Net Receipts	1,201.4	7.9%		