

Q2 2014



City of Healdsburg Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Healdsburg In Brief

Receipts for Healdsburg's April through June sales were 22.1% higher than the same quarter one year ago. Actual sales activity was up 12.6% when reporting aberrations were factored out.

A large negative payment aberration in the comparative quarter combined with increases from a couple of businesses to produce the large increase in business and industry. Multiple payment anomalies in specialty stores and increased sales in home furnishings and women's/family apparel boosted general consumer goods. Higher sales were responsible for the increase in autos and transportation.

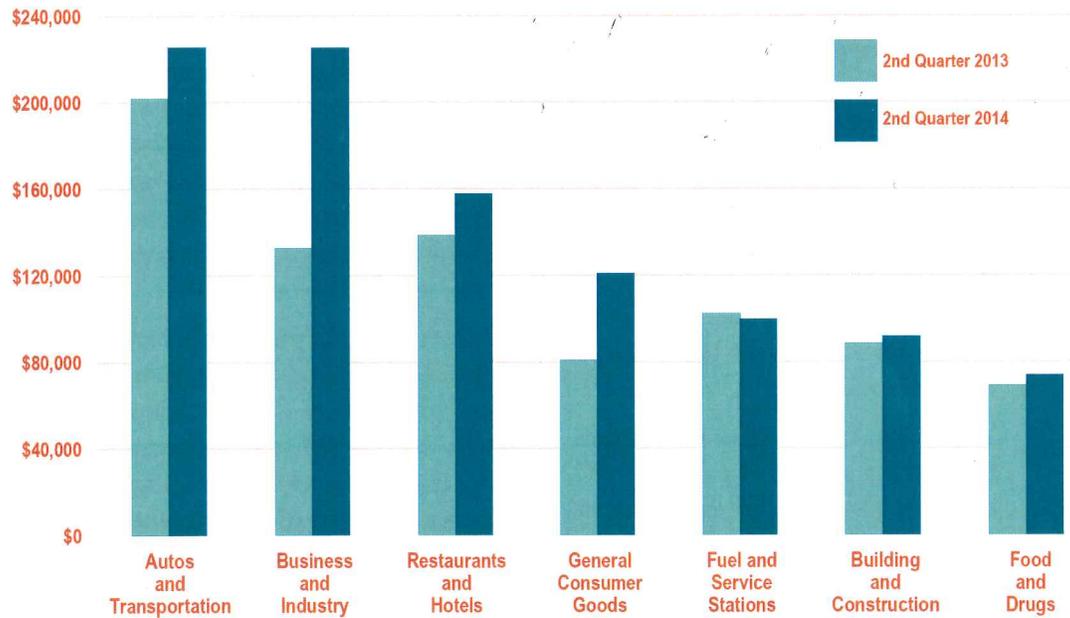
A payment aberration and increased sales from most restaurants in casual and fine dining categories lifted restaurants. A big sales quarter in lumber/building/ materials caused the gain in building and construction.

Service stations was the lone group down as most stations experienced a decline in sales.

The city received \$476,368 for the quarter from Measure V, the voter approved half cent transaction tax.

Adjusted for aberrations, taxable sales for all of Sonoma County increased 6.1% over the comparable time period, while the Bay Area as a whole was up 6.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Barndiva	Kendall Jackson Tasting Room
Bear Republic Brewing Co	McConnell Chrysler Jeep Dodge
Carlsen & Associates	Opperman & Son
Central Valley Builders	Purity Products
Criveller California	Rotten Robbie
E & M Electric & Machinery	Safeway
Fast Lane Gas & Food	Sanderson Ford
Garrett Hardware & Plumbing	Silveira Pontiac Buick GMC
Healdsburg Gas Mart	Stark Seafood & Raw Bar
Healdsburg Lumber	Westtec Tank & Equipment
Healdsburg Shed	Wilbur Ellis
Hotel Healdsburg	Wine Country Chevron
Jerrys Valero	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$3,151,738	\$3,434,525
County Pool	340,858	402,658
State Pool	1,384	2,352
Gross Receipts	\$3,493,980	\$3,839,535
Cty/Cnty Share	(87,350)	(95,988)
Net Receipts	\$3,406,631	\$3,743,546
Less Triple Flip*	\$(851,658)	\$(935,887)
Measure V	\$364,874	\$1,685,029

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

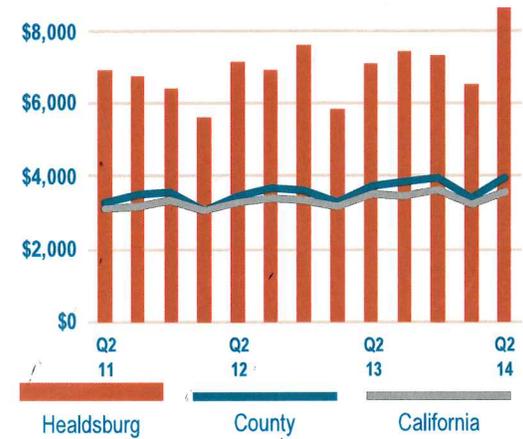
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

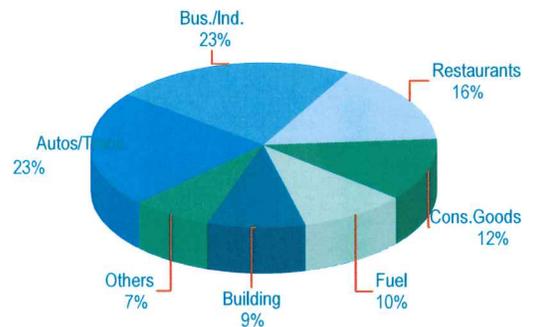
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Healdsburg This Quarter



HEALDSBURG TOP 15 BUSINESS TYPES

Business Type	Healdsburg		County	HdL State
	Q2 '14	Change	Change	Change
Casual Dining	86,753	21.9%	-6.4%	3.1%
Fine Dining	31,068	10.1%	43.7%	16.5%
Garden/Agricultural Supplies	79,557	-3.8%	6.2%	5.4%
Grocery Stores Liquor	42,574	6.1%	4.5%	5.7%
Hardware Stores	— CONFIDENTIAL —		12.4%	1.0%
Heavy Industrial	— CONFIDENTIAL —		19.3%	8.7%
Home Furnishings	22,794	107.7%	7.0%	6.9%
Hotels-Liquor	18,319	-3.9%	3.1%	7.3%
Lumber/Building Materials	54,181	21.1%	7.5%	8.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —		13.8%	7.4%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —		-28.3%	-8.9%
Service Stations	95,428	-2.5%	-0.5%	6.7%
Specialty Stores	33,531	178.4%	11.1%	8.0%
Used Automotive Dealers	— CONFIDENTIAL —		4.9%	9.6%
Wineries	44,825	4.7%	9.0%	6.3%
Total All Accounts	\$995,165	22.2%	6.6%	2.8%
County & State Pool Allocation	\$107,883	21.2%	5.7%	12.7%
Gross Receipts	\$1,103,048	22.1%	6.5%	3.9%
City/County Share	(27,576)	-22.1%		
Net Receipts	\$1,075,472	22.1%		