

Q3 2019



City of Healdsburg Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

Healdsburg In Brief

Healdsburg's sales activity from July through September was 7.5% below that of the third sales period in 2018. Cash receipts for the same period were 37.2% less than at this time last year when late payments were being received following delays caused by the State's tax filing system.

Spending on auto-transportation needs was mixed this period but missing payments from several retailers gave rise to an estimated result. A decline in business to business sales was the definite cause of the drop in receipts from the business-industry group.

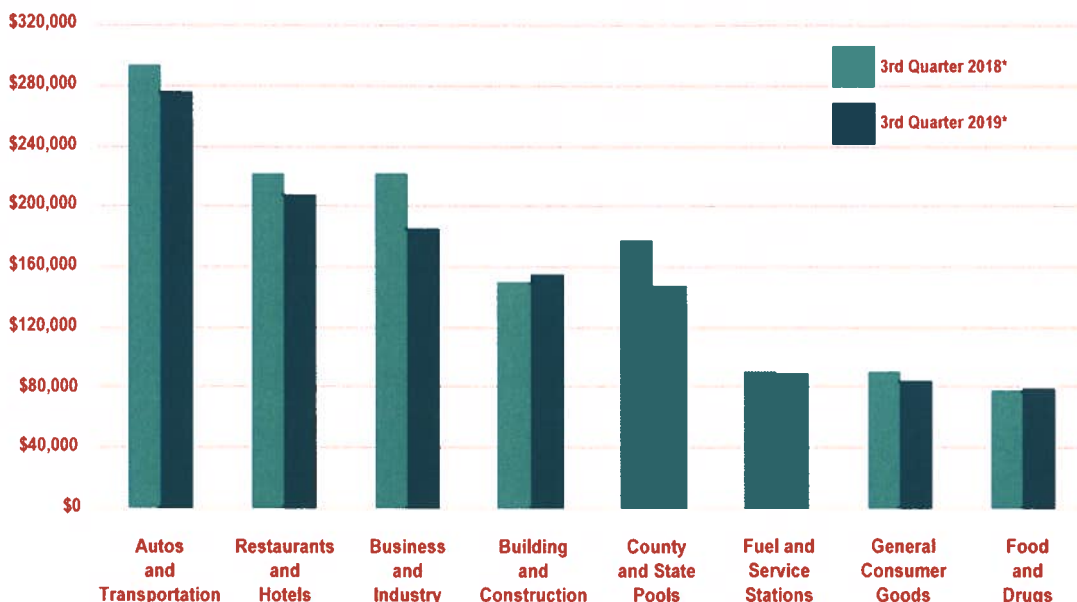
Restaurant activity lagged while the prior closure of one venue continues to negatively skew results. General consumer good sales were mixed but mostly lower.

The bright spots this quarter were small gains by construction and food-drug outlets.

Measure V, the community's transaction and use tax, brought in \$547,284. After discounting late payments and other adjustments, results were 0.8% below this time last year. Auto sales, construction and restaurant-hotel groups saw the largest declines.

Net of adjustments, taxable sales for all of Sonoma County grew 1.2% over the comparable time period while those of the entire Bay Area were down 0.5%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Barndiva	Jerrys Valero
Big Johns Market	McConnel Chevrolet Chrysler Dodge Jeep
Bravas	
Campo Fina	Opperman & Son
Carlsen & Associates	Rotten Robbie
Criveller California	Safeway
E & M Electric & Machinery	Sanderson Ford
Garrett Hardware & Plumbing	Silveira Buick/GMC
Healdsburg Bar & Grill	Singlethread Farm Restaurant Inn
Healdsburg Chevron & Carwash	Syar Industries
Healdsburg Gas Mart	Westtec Tank & Equipment Company
Healdsburg Lumber	Wilbur Ellis
Hotel Healdsburg	Willi's Seafood & Raw Bar

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$1,507,753	\$923,390
County Pool	207,402	154,487
State Pool	775	369
Gross Receipts	\$1,715,931	\$1,078,246
Cty/Cnty Share	(42,898)	(26,956)
Net Receipts	\$1,673,032	\$1,051,290
Measure V	\$668,826	\$553,524

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

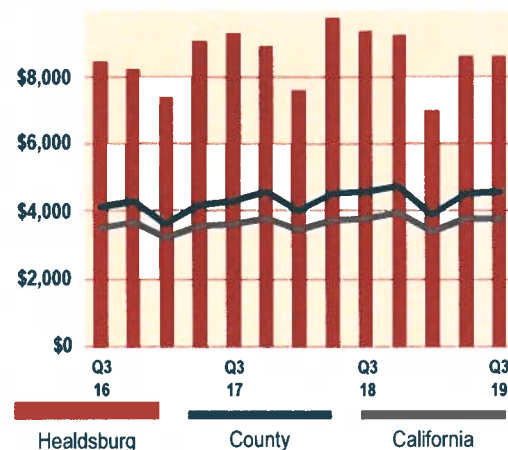
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

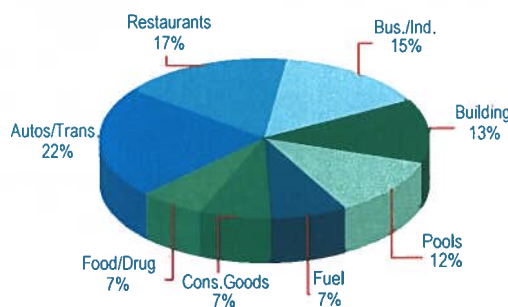
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP Healdsburg This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

HEALDSBURG TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Healdsburg Q3 '19*	Change	County Change	HdL State Change
Building Materials	109.2	0.0%	5.8%	0.1%
Casual Dining	99.9	-5.7%	-0.6%	2.3%
Contractors	43.0	16.0%	0.8%	2.6%
Fine Dining	52.2	6.7%	-2.7%	-3.1%
Food Service Equip./Supplies	26.3	-4.1%	3.3%	6.1%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	1.8%	4.3%
Grocery Stores	49.0	3.9%	5.2%	1.7%
Heavy Industrial	— CONFIDENTIAL —	—	-13.3%	0.6%
Hotels-Liquor	21.4	19.8%	-6.7%	1.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-2.6%	-7.2%
Quick-Service Restaurants	18.1	5.3%	8.7%	2.6%
Repair Shop/Equip. Rentals	16.5	-14.8%	-5.0%	2.0%
Service Stations	89.8	-1.6%	0.3%	-1.5%
Used Automotive Dealers	— CONFIDENTIAL —	—	8.0%	2.1%
Wineries	64.8	-4.3%	0.3%	3.7%
Total All Accounts	1,078.4	-6.0%	-0.5%	0.2%
County & State Pool Allocation	147.9	-16.7%	14.1%	14.9%
Gross Receipts	1,226.3	-7.5%	1.2%	2.3%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.