

Q1 2020



City of Healdsburg Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Healdsburg In Brief

Healdsburg's receipts from January through March were 19.0% below the first sales period in 2019. Excluding reporting aberrations, actual sales were flat. Cash allocations were pulled down by eligible companies taking advantage of the extra 90 days to file tax returns under the Governor's recent Executive Order.

COVID-19 pushed sales down in most groups; fewer tourists and temporary closures resulted in large tax reductions across all restaurants categories. Related, a drop in consumption provoked lower returns from service stations.

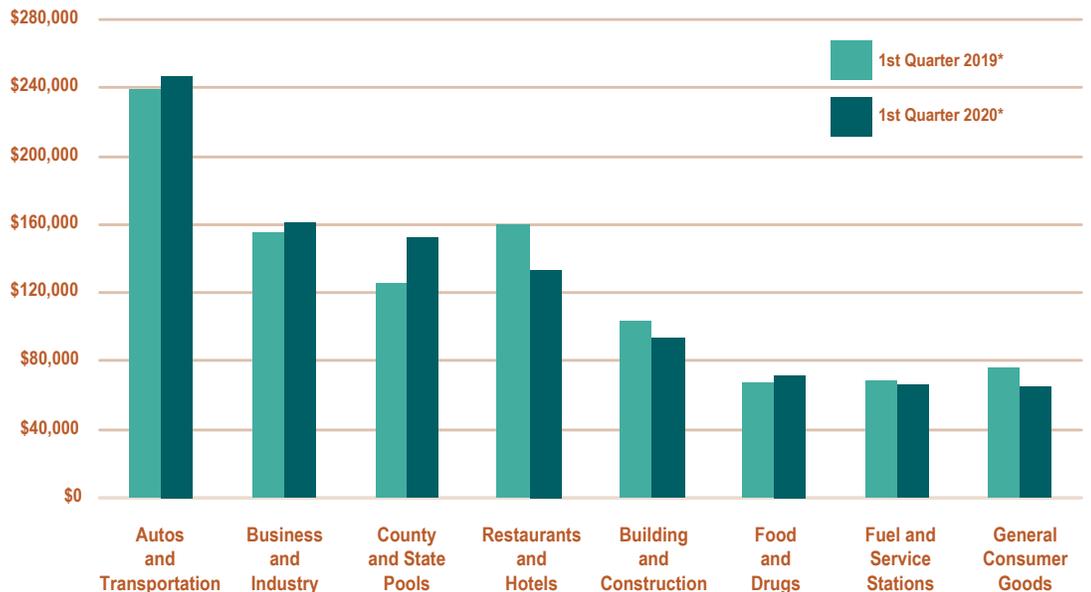
Some retailers remained open all quarter, and grocer's taxes rose higher. Autos/transportation reported a modest gain, better than regional and statewide trends.

Good news came from a 20% surge in allocations from the county-wide pool. This revenue was boosted by a recent legislative change that allows the State to collect tax revenue from third-party sellers on internet-based platforms.

Locally approved Measure V added \$440,839 of actual sales after all adjustments were made.

Net of aberrations, taxable sales for all of Sonoma County declined 1.6% over the comparable time period; the Bay Area was down 2.9%.

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
Campo Fina	Chrysler Dodge Jeep
Carlsen & Associates	Opperman & Son
Central Valley Builders Supply	Rite Aid
Criveller California	Rotten Robbie
CVS Pharmacy	Safeway
E & M Electric & Machinery	Sanderson Ford
Garrett Hardware & Plumbing	Silveira Buick/GMC
Healdsburg Chevron & Carwash	Singlethread Farm Restaurant Inn
Healdsburg Lumber	Syar Industries
Hotel Healdsburg	Wilbur Ellis
	Williamson Wines
	Willi's Seafood & Raw Bar

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$3,532,414	\$2,836,113
County Pool	493,436	552,601
State Pool	1,825	1,585
Gross Receipts	\$4,027,675	\$3,390,299
Cty/Cnty Share	(100,692)	(84,757)
Net Receipts	\$3,926,983	\$3,305,542
Measure V	\$1,663,565	\$1,506,466

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

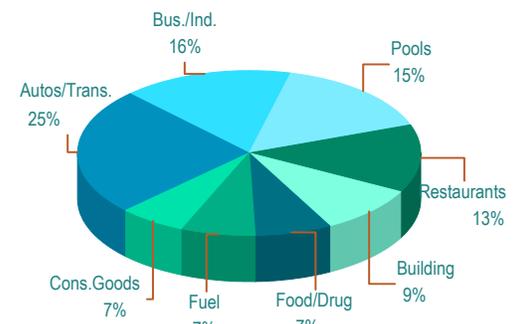
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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	Healdsburg		County	HdL State
	Q1 '20	Change	Change	Change
Automotive Supply Stores	13,255	0.1%	-5.5%	-9.5%
Building Materials	77,455	-5.6%	7.2%	3.0%
Casual Dining	71,441	-10.4%	-17.7%	-18.8%
Contractors	16,450	-14.4%	10.6%	3.1%
Drug Stores	—	CONFIDENTIAL	2.2%	3.4%
Fine Dining	22,803	-39.6%	-27.2%	-24.1%
Food Service Equip./Supplies	13,324	20.4%	0.0%	-5.6%
Garden/Agricultural Supplies	—	CONFIDENTIAL	27.3%	12.0%
Grocery Stores	46,133	14.7%	16.2%	11.8%
Hotels-Liquor	14,168	0.2%	-20.3%	-28.4%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-12.9%	-10.6%
Repair Shop/Equip. Rentals	—	CONFIDENTIAL	6.7%	-0.3%
Service Stations	66,585	-3.3%	-8.7%	-9.5%
Used Automotive Dealers	—	CONFIDENTIAL	1.8%	-12.7%
Wineries	69,230	8.9%	-4.8%	-6.8%
Total All Accounts	839,463	-3.5%	-5.5%	-7.3%
County & State Pool Allocation	151,914	20.5%	24.1%	22.4%
Gross Receipts	991,377	-0.5%	-1.6%	-3.0%

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