

Q1 2019



City of Sonoma Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Sonoma In Brief

Sonoma's receipts from January through March were 2.8% above the first sales period in 2018. Excluding reporting aberrations, actual sales were down 2.6%.

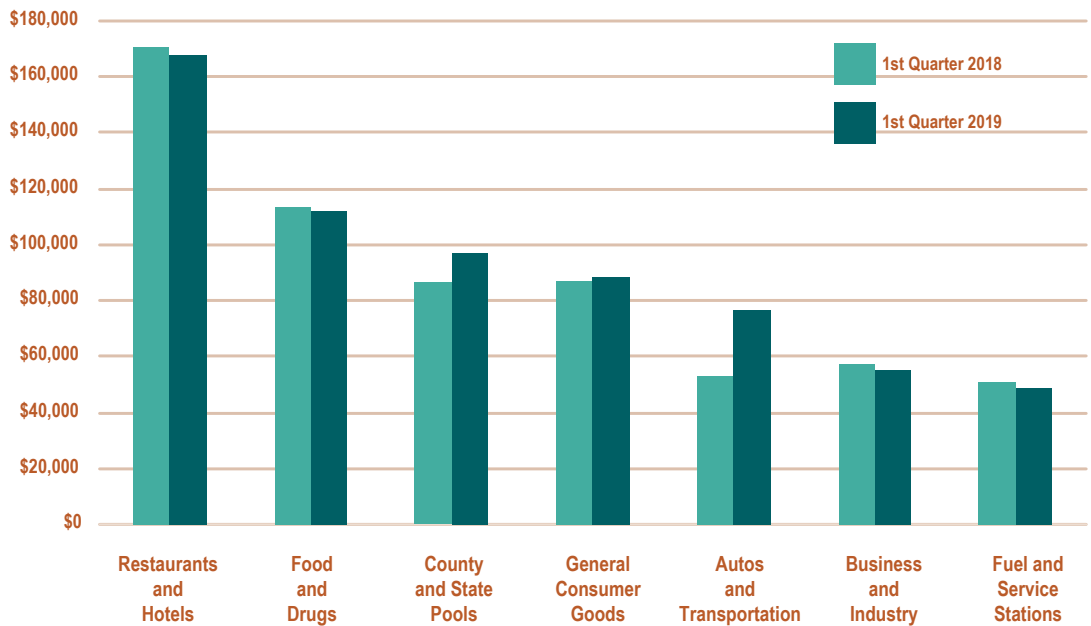
The City experienced an exceptionally strong sales quarter for the autos/transportation group; other positive sectors included fine dining and specialty stores. Allocations from the countywide use tax pool improved; in part due to higher volumes of activity along with a few onetime account corrections.

Women's apparel was inflated due to payment delays in the comparable quarter. Demand slowed over the winter months in wineries, home furnishings and hotels. Service stations and casual dining both experienced merchant closures.

Measure U, the one-half cent voter approved transactions and use tax, contributed \$615,451 beyond the sales taxes noted above. \$13,000 was misallocated and is expected to be corrected in the future. With all anomalies removed, results were 10% greater than the year-ago quarter.

Net of aberrations, taxable sales for all of Sonoma County declined 2.1% over the comparable time period; the Bay Area was down 0.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Chevron	Red Grape Pizzeria
CVS Pharmacy	Rite Aid
El Dorado Kitchen	Safeway
Friedmans Home Improvement	Sebastiani Vineyards & Winery
Girl & The Fig	Shell
Hopmonk Tavern	Silveira Chevrolet
Jolly Washer Service Station	Sonoma Market
Kovacs Motors	Staples
Lodge at Sonoma	Sunflower Caffe
Lucky	Swiss Hotel & Restaurant
Mary's Pizza Shack	Three Sticks Wines
Pet Food Express	Whole Foods Market
Ramekins Culinary School Events & Inn	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$2,050,929	\$2,258,836
County Pool	262,322	316,013
State Pool	1,285	1,167
Gross Receipts	\$2,314,536	\$2,576,015
Cty/Cnty Share	(57,863)	(64,400)
Net Receipts	\$2,256,673	\$2,511,615
Measure U	\$1,709,436	\$2,060,269

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

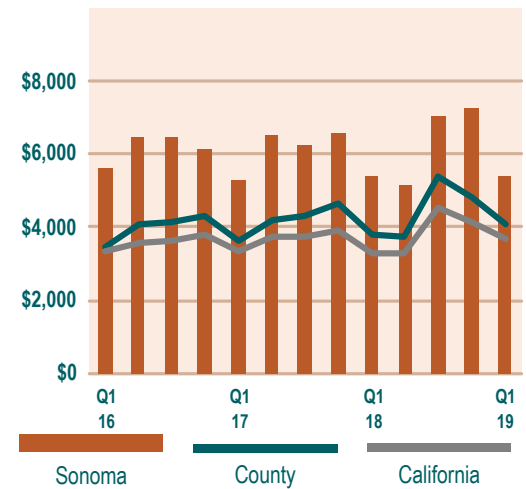
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

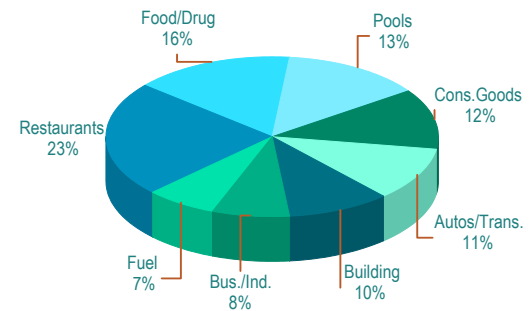
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Sonoma This Quarter



SONOMA TOP 15 BUSINESS TYPES

Business Type	Sonoma		County	HdL State
	Q1 '19	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	4.2%	4.0%
Casual Dining	91,773	2.7%	8.0%	13.3%
Convenience Stores/Liquor	10,386	4.0%	31.2%	16.6%
Drug Stores	— CONFIDENTIAL —	—	11.8%	37.8%
Fine Dining	26,813	15.5%	9.2%	10.4%
Grocery Stores	72,508	0.9%	7.0%	25.7%
Home Furnishings	19,089	-20.6%	0.9%	3.2%
Hotels-Liquor	31,134	-23.3%	-0.1%	2.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-2.5%	-1.9%
Quick-Service Restaurants	9,890	6.7%	5.6%	10.0%
Service Stations	49,160	-3.6%	6.4%	15.6%
Specialty Stores	17,740	7.3%	13.3%	23.6%
Used Automotive Dealers	— CONFIDENTIAL —	—	0.2%	14.2%
Wineries	36,117	-13.1%	6.2%	15.6%
Women's Apparel	11,107	62.6%	2.8%	6.6%
Total All Accounts	624,251	1.5%	6.6%	13.5%
County & State Pool Allocation	96,884	12.1%	17.7%	23.8%
Gross Receipts	721,135	2.8%	8.0%	14.9%
City/County Share	(18,028)	-2.8%		
Net Receipts	703,107	2.8%		