

Q2 2019



City of Sonoma Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Sonoma In Brief

Sonoma's receipts from April through June were 26.0% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City.

Excluding reporting aberrations, actual sales were up 5.3%.

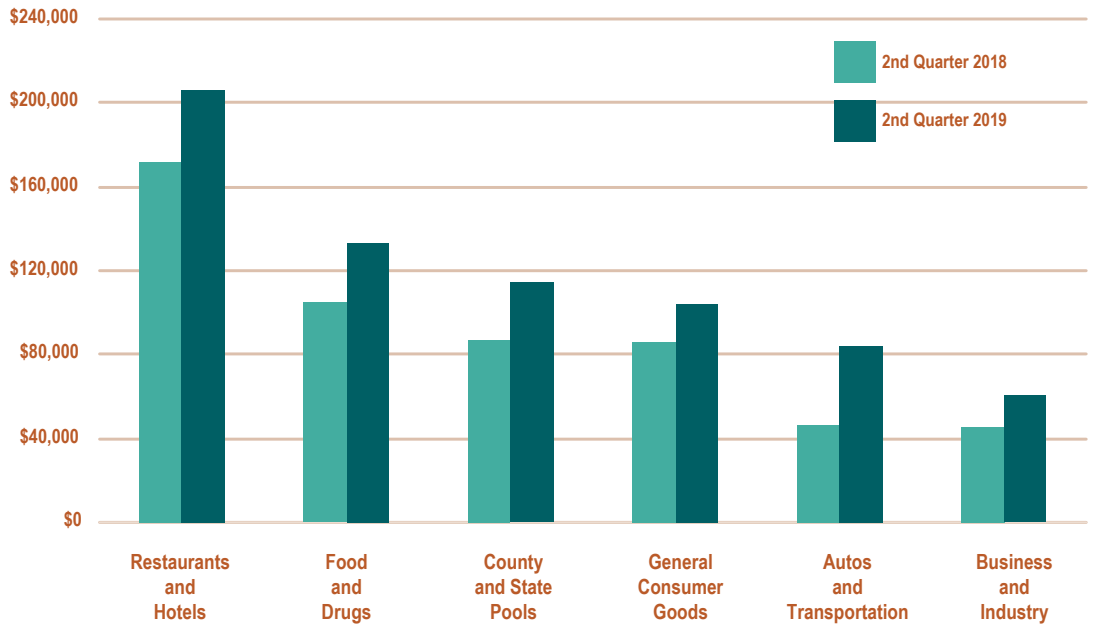
Strong sales boosted the autos and transportation group. Modest growth in casual dining helped offset the closure of an outlet, posting flat results after accounting for the anomalies. Service stations posted gains as a result of price increases at the pumps.

The reporting irregularities hid the fact that hotels across the county saw slow growth this quarter.

Voter approved Measure U generated \$618,697 this quarter; also affected by the anomalies.

Net of aberrations, taxable receipts for all of Sonoma County grew 0.8% over the comparable time period; the Bay Area was up 2.0%.

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	Shell
Girl & The Fig	Silveira Chevrolet
Hopmonk Tavern	Sonoma Market
Jolly Washer Service Station	Staples
Kovacs Motors	Sunflower Caffe
Lodge at Sonoma	Swiss Hotel & Restaurant
Lucky	Three Sticks Wines
Mary's Pizza Shack	Villa Terrazza Patio & Home
McCaulou's	Whole Foods Market
Ramekins	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$2,641,331	\$2,997,933
County Pool	349,289	430,114
State Pool	1,506	1,487
Gross Receipts	\$2,992,126	\$3,429,535
Cty/Cnty Share	(74,803)	(85,738)
Net Receipts	\$2,917,323	\$3,343,796
Measure U	\$2,236,044	\$2,678,966

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

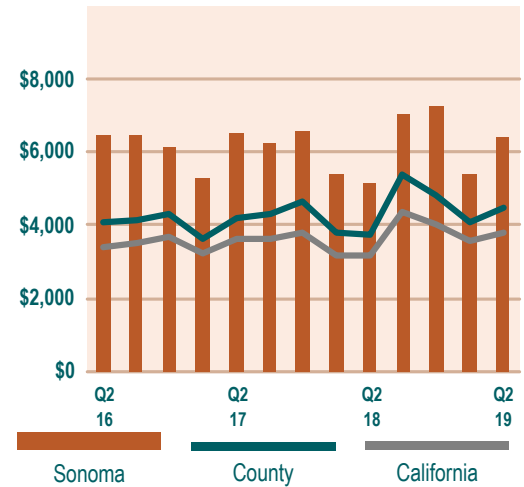
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

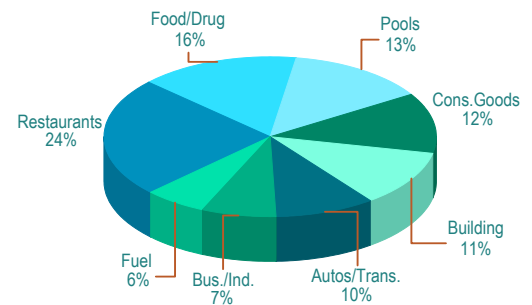
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Sonoma This Quarter



SONOMA TOP 15 BUSINESS TYPES

Business Type	Sonoma		County	HdL State
	Q2 '19	Change	Change	Change
Building Materials	— CONFIDENTIAL —		34.7%	34.2%
Casual Dining	102,044	6.3%	24.5%	24.5%
Convenience Stores/Liquor	17,952	118.4%	27.3%	14.9%
Drug Stores	31,865	-2.3%	-1.4%	-0.3%
Fast-Casual Restaurants	— CONFIDENTIAL —		17.0%	18.9%
Fine Dining	33,490	109.1%	52.1%	16.3%
Grocery Stores	— CONFIDENTIAL —		18.0%	9.6%
Home Furnishings	22,718	37.1%	11.9%	15.8%
Hotels-Liquor	47,307	17.7%	-0.4%	16.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —		4.0%	5.4%
Service Stations	— CONFIDENTIAL —		36.9%	51.4%
Specialty Stores	22,551	26.9%	-9.1%	-8.5%
Used Automotive Dealers	— CONFIDENTIAL —		88.0%	90.0%
Wineries	37,310	48.3%	22.9%	24.9%
Women's Apparel	10,970	-21.8%	-6.3%	5.7%
Total All Accounts	739,098	25.2%	18.9%	20.1%
County & State Pool Allocation	114,422	31.2%	24.7%	22.4%
Gross Receipts	853,519	26.0%	19.7%	20.4%
City/County Share	(21,338)	-26.0%		
Net Receipts	832,181	26.0%		