

Q3 2019



City of Sonoma Sales Tax *Update*

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

Sonoma In Brief

Sonoma's sales activity from July through September was 4.9% greater than the third sales period in 2018. Cash receipts for the same period were only 1% higher than at this time last year when late payments were being received following delays caused by the State's tax filing system

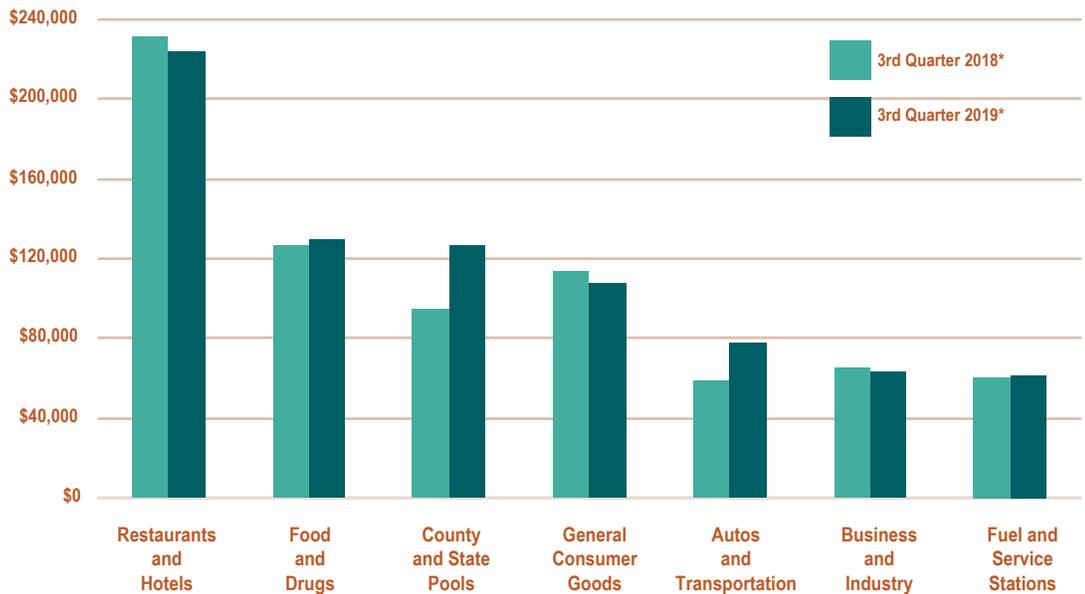
Spending on transportation needs led the quarter but was partially skewed by one taxpayer having a shorter operating period in the prior year. The City's allocation from the countywide use tax pool brought the next largest increase as both the size of the pool and the City's share of the pool rose this quarter.

The prior closure of businesses within the restaurant and business-industry groups skewed results this period. General consumer good outlets reported flat to slightly lower results.

Measure U, the community's 0.5% transaction and use tax, brought in \$680,929 this quarter. Discounting missing payments and other reporting issues, Measure U grew by 2.3% over this time last year with construction and general consumer good sales showing the largest gains.

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

Chevron	Red Grape Pizzeria
CVS Pharmacy	Rite Aid
El Dorado Kitchen	Safeway
Friedmans Home Improvement	Shell
Girl & The Fig	Silveira Chevrolet
Hopmonk Tavern	Sonoma Grille
Jolly Washer Service Station	Sonoma Market
Lodge at Sonoma	Staples
Lucky	Sunflower Caffe
MacArthur Place Hotel	Swiss Hotel & Restaurant
Mary's Pizza Shack	Three Sticks Wines
Ramekins	Villa Terrazza Patio & Home
	Whole Foods Market

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$801,172	\$788,767
County Pool	110,207	131,964
State Pool	412	315
Gross Receipts	\$911,791	\$921,046
Cty/Cnty Share	(22,795)	(23,026)
Net Receipts	\$888,996	\$898,020
Measure U	\$745,631	\$687,859

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

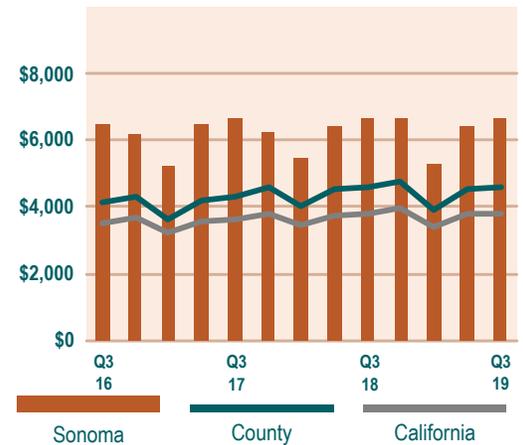
tax measures on the November 2019 ballot adding six new districts and extending two others.

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%.

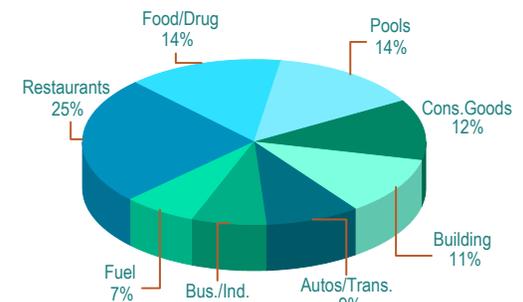
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Sonoma This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

SONOMA TOP 15 BUSINESS TYPES**

Business Type	Sonoma		County	HdL State
	Q3 '19	Change	Change	Change
Building Materials	— CONFIDENTIAL —		5.8%	0.2%
Casual Dining	109,257	-8.5%	-0.6%	2.3%
Convenience Stores/Liquor	12,121	-2.5%	5.3%	1.0%
Drug Stores	30,552	-1.7%	-1.6%	-1.2%
Fast-Casual Restaurants	— CONFIDENTIAL —		0.6%	5.1%
Fine Dining	35,083	-1.3%	-2.7%	-3.1%
Grocery Stores	82,417	4.0%	5.2%	1.7%
Home Furnishings	25,082	-5.8%	-5.2%	-1.0%
Hotels-Liquor	52,485	2.2%	-6.7%	1.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-2.6%	-7.2%
Quick-Service Restaurants	10,398	-15.1%	8.7%	2.6%
Service Stations	61,701	2.5%	0.3%	-1.5%
Specialty Stores	20,019	-5.8%	-2.0%	0.3%
Wineries	43,756	12.4%	0.3%	3.7%
Women's Apparel	13,530	-6.9%	-8.7%	-5.6%
Total All Accounts	766,198	1.3%	-0.5%	0.2%
County & State Pool Allocation	126,350	33.9%	14.1%	14.9%
Gross Receipts	892,548	4.9%	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.