

# Q4 2019



# City of Sonoma Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## Sonoma In Brief

Sonoma's adjusted basis receipts from October through December were 1.5% above the fourth sales period in 2018.

Due to the full implementation of Wayfair/Marketplace Facilitators regulations under AB 147, the City's share of the countywide use tax collections improved 23% and was the most significant factor in the overall quarterly sales tax increase.

Public safety power shutoffs occurred during this taxpayer filing cycle and influenced consumer spending trends.

Unseasonably strong demand propelled autos-transportation upward. Year-ago change of ownership contributed to improved service stations returns.

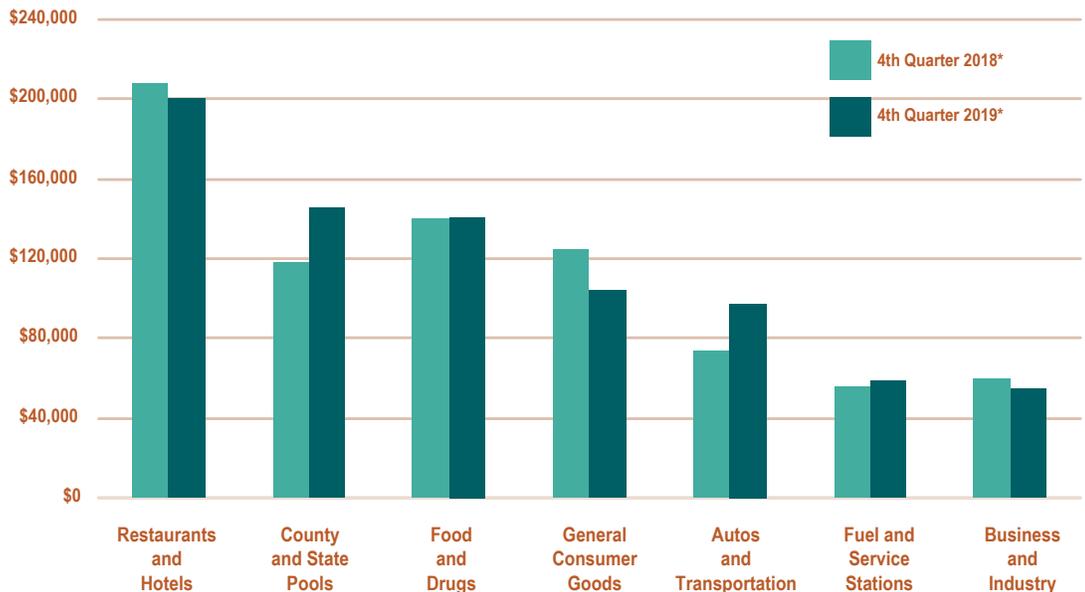
Grocer, hotels and fine dining establishments were up compared to year-ago totals.

Wineries, casual dining and segments within general consumer goods fell, driving local retailer's overall points of sales collections lower.

Measure U, Sonoma's one half-cent voter-approved transaction and use tax, generated \$633,481.

Net of aberrations, taxable sales for all of Sonoma County grew 0.7% over the comparable time period; the Bay Area was up 3.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$1,634,585	\$1,527,546
County Pool	219,483	279,845
State Pool	812	685
Gross Receipts	\$1,854,880	\$1,808,076
Cty/Cnty Share	(46,372)	(45,202)
Net Receipts	<b>\$1,808,508</b>	<b>\$1,762,874</b>
Measure U	\$1,444,817	\$1,310,349

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters. Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

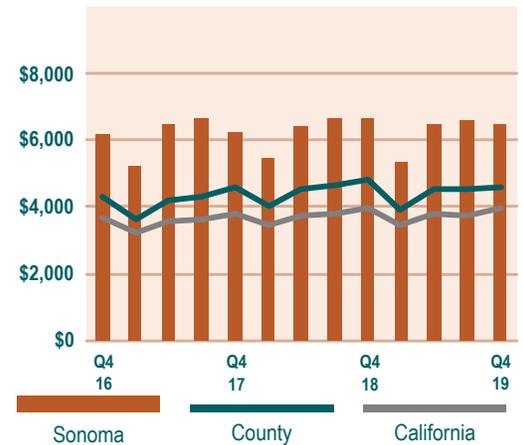
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

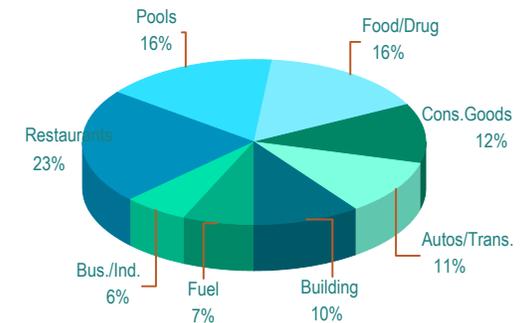
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**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
	Q4 '19	Change	Change	Change
Automotive Supply Stores	— CONFIDENTIAL —	—	3.3%	0.5%
Building Materials	— CONFIDENTIAL —	—	-0.2%	1.4%
Casual Dining	101,868	-5.5%	-2.2%	3.8%
Convenience Stores/Liquor	11,998	-8.8%	-4.0%	-0.1%
Drug Stores	— CONFIDENTIAL —	—	-2.4%	-0.7%
Fine Dining	31,586	4.1%	-14.4%	-2.9%
Grocery Stores	94,240	3.1%	4.5%	1.3%
Home Furnishings	25,374	-1.2%	-8.3%	-2.1%
Hotels-Liquor	45,273	2.0%	-6.3%	-0.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-5.0%	-3.4%
Quick-Service Restaurants	11,319	-25.8%	1.6%	1.9%
Service Stations	58,503	4.7%	2.2%	0.2%
Specialty Stores	23,116	-2.6%	-4.2%	-3.8%
Used Automotive Dealers	— CONFIDENTIAL —	—	10.2%	4.5%
Wineries	33,403	-11.5%	-10.4%	-1.2%
<b>Total All Accounts</b>	<b>746,459</b>	<b>-1.9%</b>	<b>-4.1%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>145,610</b>	<b>23.4%</b>	<b>34.3%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>892,070</b>	<b>1.5%</b>	<b>0.7%</b>	<b>4.2%</b>

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