

# Q3 2017



# City of Hughson Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

## Hughson In Brief

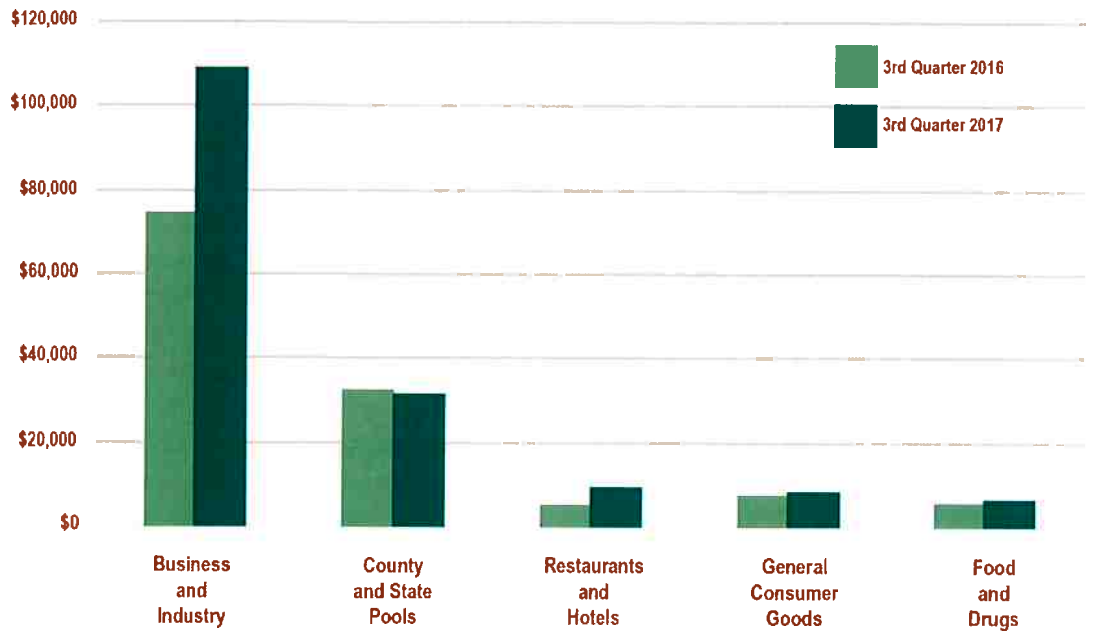
Hughson's receipts from July through September were 21.9% above the third sales period in 2016.

Robust sales from the business and industry group boosted total revenues, while reporting aberrations and increasing sales lifted receipts from the casual dining sector. Mixed results from food and drugs led to an overall gain. General consumer goods experienced a strong sales quarter.

The City's allocation from the countywide use tax pool declined 2.3%, mainly due to reporting anomalies from the office supplies sector.

Net of aberrations, taxable sales for all of Stanislaus County grew 3.1% over the comparable time period; the San Joaquin Valley was up 5.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Agave Azul	Mid Valley Agricultural Services
Bobs Coffee Shop	Napa Auto Parts
Boulet Consulting	Pizza Factory
California Trusframe	Pure Water Pool Service
Coco's Taqueria	Quick N Save
Dollar General	Ricos Italian Pizza
Dollar Tree	Santa Fe Market & Liquor
Golden Bowl	Sav Mor Market
Grossi Fabrication	Scott's Pool Repair
Hamilton Diner	Subway
Hughson Farm Supply	Wilbur Ellis
Hughson Shell	
La Perla Tapatia	
Lacy's Furniture & Home Decor	

## REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$470,628	\$481,828
County Pool	70,993	54,216
State Pool	165	85
<b>Gross Receipts</b>	<b>\$541,786</b>	<b>\$536,128</b>

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

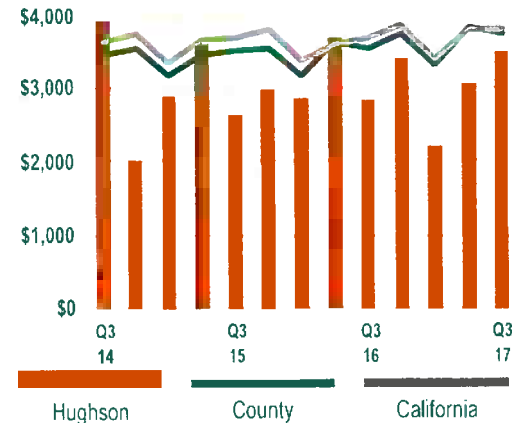
**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

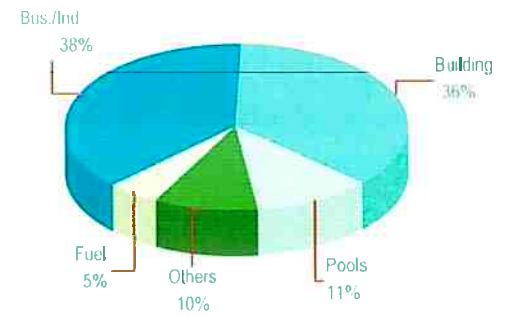
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Hughson This Quarter



**HUGHSON TOP 15 BUSINESS TYPES**

Business Type	Hughson		County	HdL State
	Q3 '17	Change	Change	Change
Auto Repair Shops	— CONFIDENTIAL —	—	-0.3%	4.1%
Automotive Supply Stores	— CONFIDENTIAL —	—	4.8%	3.6%
Business Services	— CONFIDENTIAL —	—	na	110.9%
Casual Dining	8,396	112.2%	7.2%	2.2%
Contractors	— CONFIDENTIAL —	—	-5.6%	6.3%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	7.2%	7.8%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	20.8%	11.0%
Grocery Stores	— CONFIDENTIAL —	—	9.3%	0.6%
Heavy Industrial	— CONFIDENTIAL —	—	-2.7%	6.4%
Home Furnishings	— CONFIDENTIAL —	—	2.2%	0.6%
Medical/Biotech	— CONFIDENTIAL —	—	88.1%	-0.2%
Quick-Service Restaurants	— CONFIDENTIAL —	—	2.8%	4.8%
Service Stations	— CONFIDENTIAL —	—	18.6%	9.2%
Specialty Stores	— CONFIDENTIAL —	—	14.1%	2.3%
Variety Stores	— CONFIDENTIAL —	—	-7.3%	6.9%
<b>Total All Accounts</b>	<b>257,035</b>	<b>25.7%</b>	<b>7.4%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>31,768</b>	<b>-1.9%</b>	<b>-16.2%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>288,803</b>	<b>21.9%</b>	<b>4.2%</b>	<b>4.2%</b>