

Q4 2018



City of Hughson Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Hughson In Brief

Hughson's receipts from October through December were 29.2% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 25.5%.

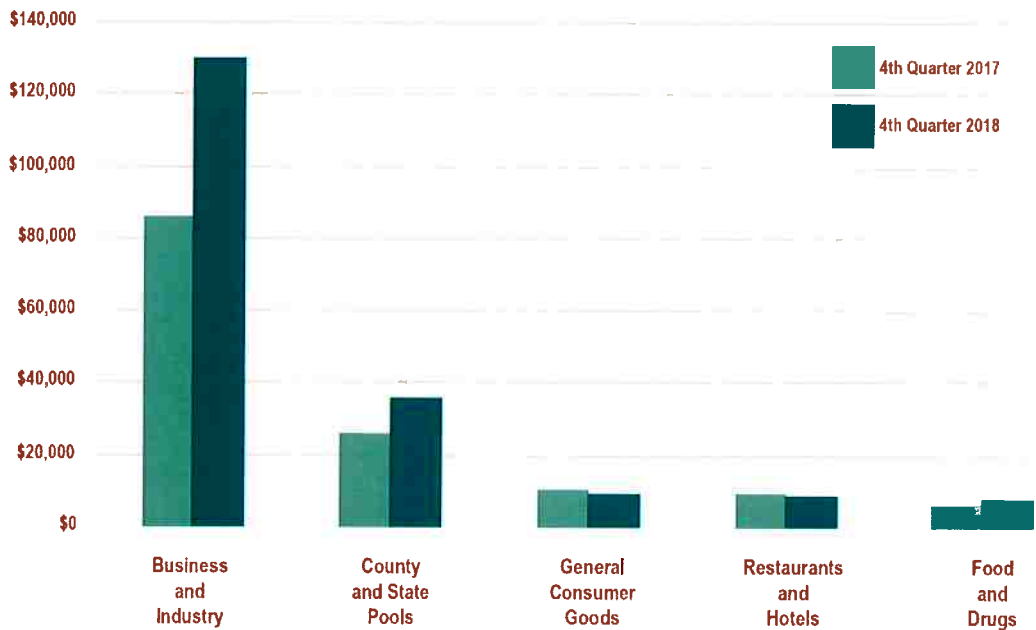
A strong sales period from the business-industry sector heightened the local sales tax receipts in the final quarter of 2018.

Consistent price increases at the pump, largely related to the global cost of crude oil and the implementation of SB-1 locally, elevated fuel receipts throughout the San Joaquin Valley.

Hughson's pro-rata share of the countywide use tax pool ballooned 39.2% due to the large point-of-sale increase. Funding anomalies in the current and year ago distributions contributed to the pool's gains.

Net of aberrations, taxable sales for all of Stanislaus County grew 2.7% over the comparable time period; the San Joaquin Valley was up 4.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$460,116	\$511,501
County Pool	57,153	70,505
State Pool	256	255
Gross Receipts	\$517,525	\$582,260

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

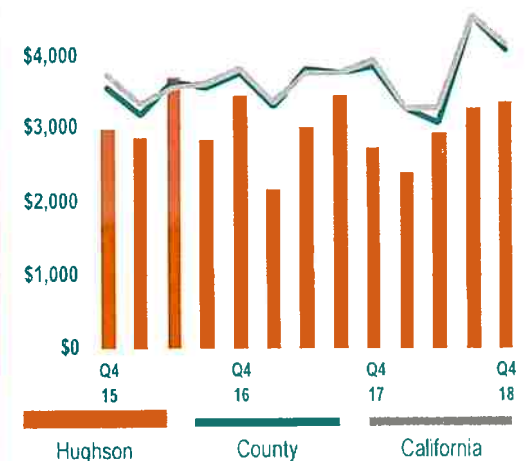
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



COUNTY OVERALL 4Q YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-5.5%	0.2%
Building and Construction	5.7%	7.8%
Business and Industry	13.2%	5.7%
Food and Drugs	14.3%	7.5%
Fuel and Service Stations	38.7%	-1.0%
General Consumer Goods	-2.5%	-1.3%
Restaurants and Hotels	1.4%	0.6%
County and State Pools	16.7%	8.5%
Total	8.2%	2.7%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP
Hughson This Quarter

