

2Q 2020 (APRIL - JUNE) CITY OF HEALDSBURG SALES TAX UPDATE



HEALDSBURG
TOTAL: \$1,147,798

-8.29%
Q2 2020



-16.56%
COUNTY

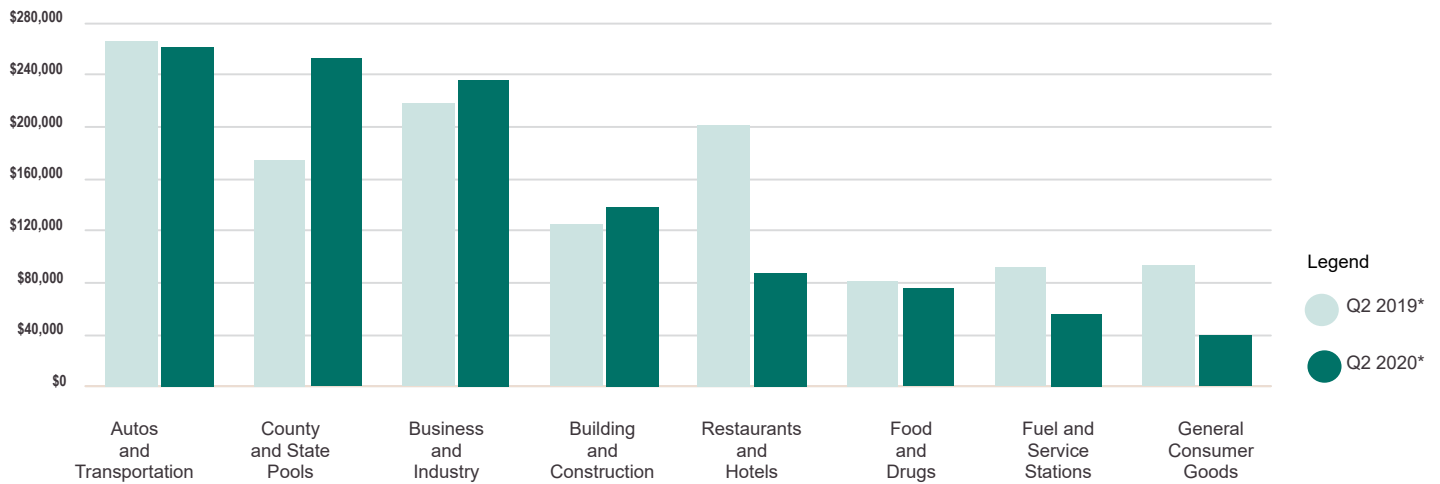


-16.26%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure V
TOTAL: \$496,965

-9.75%



CITY OF HEALDSBURG HIGHLIGHTS

Healdsburg's receipts from April through June were 3.0% above the second sales period in 2019. Cash were inflated by \$128,000 of delayed payments that were owed in the previous quarter. After excluding all reporting aberrations, actual sales were down 8.3%.

Coronavirus impacts revealed much smaller tax remittances from merchants in grocery, casual and fine dining along with most sectors in the general consumer goods group. Staying at home required less travel; service stations decreases were substantial.

Home improvements enhanced returns by contractors and building materials.

Wineries adapted new means of serving customers and posted resilient gains. Agricultural equipment sales did not slow; buyer investments created a spike by heavy industrial suppliers.

Additional taxes from marketplace facilitators plus a surge in online sales while people sheltered in place generated a sizably larger pool allocation; this distribution cut point of sale losses in half. Measure G contributed \$495,965, a 10% decline prompted mostly by the COVID-19 crisis.

Net of aberrations, taxable sales for the Bay Area was down 21.6%.



TOP 25 PRODUCERS

- | | |
|--------------------------------|----------------------------------|
| Big Johns Market | Opperman & Son |
| Carlsen & Associates | Penrose Hill |
| Central Valley Builders Supply | Pine Ridge Winery |
| Coldflo Mechanical | Rite Aid |
| CVS Pharmacy | Rotten Robbie |
| E & M Electric & Machinery | Safeway |
| Garrett Hardware & Plumbing | Sanderson Ford |
| Healdsburg Chevron & Carwash | Silveira Buick/GMC |
| Healdsburg Lumber | Silver Oak Cellars |
| Jerrys Valero | Singlethread Farm |
| Max Process Equipment | Restaurant Inn |
| McConnel Chevrolet | Smith & Beckel |
| Chrysler Dodge Jeep | Westtec Tank & Equipment Company |
| | Wilbur Ellis |



STATEWIDE RESULTS

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's,

boats and motorcycles also began to rise.

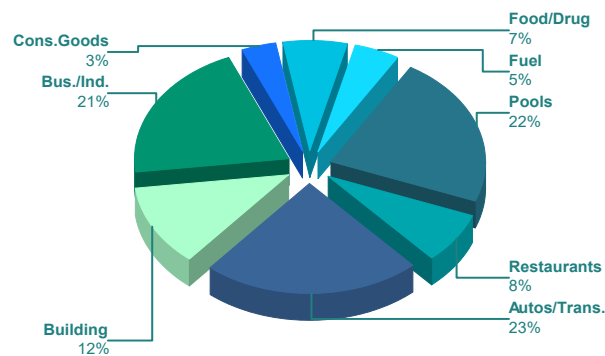
With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

REVENUE BY BUSINESS GROUP Healdsburg This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Business Type	Healdsburg Q2 '20	Change	County Change	HdL State Change
Building Materials	113,437	8.6% ↑	5.8% ↑	7.0% ↑
Wineries	74,760	18.8% ↑	-23.5% ↓	-27.2% ↓
Service Stations	56,299	-38.8% ↓	-43.7% ↓	-45.2% ↓
Grocery Stores	45,908	-1.8% ↓	8.2% ↑	7.8% ↑
Casual Dining	40,108	-58.8% ↓	-51.6% ↓	-53.2% ↓
Heavy Industrial	36,307	148.3% ↑	0.4% ↑	-10.3% ↓
Contractors	22,477	26.1% ↑	-1.0% ↓	-13.0% ↓
Food Service Equip./Supplies	21,213	-9.0% ↓	-25.1% ↓	-27.0% ↓
Fine Dining	20,544	-59.6% ↓	-61.1% ↓	-63.9% ↓
Convenience Stores/Liquor	13,820	17.2% ↑	0.7% ↑	8.8% ↑

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