

# Q3 2017



# City of Fortuna Sales Tax *Update*

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

## Fortuna In Brief

Fortuna's receipts from July through September were 3.3% above the third sales period in 2016.

Results this quarter were in line with expectations as higher fuel prices pumped up gas station receipts while the summer driving period created a greater demand for auto supplies.

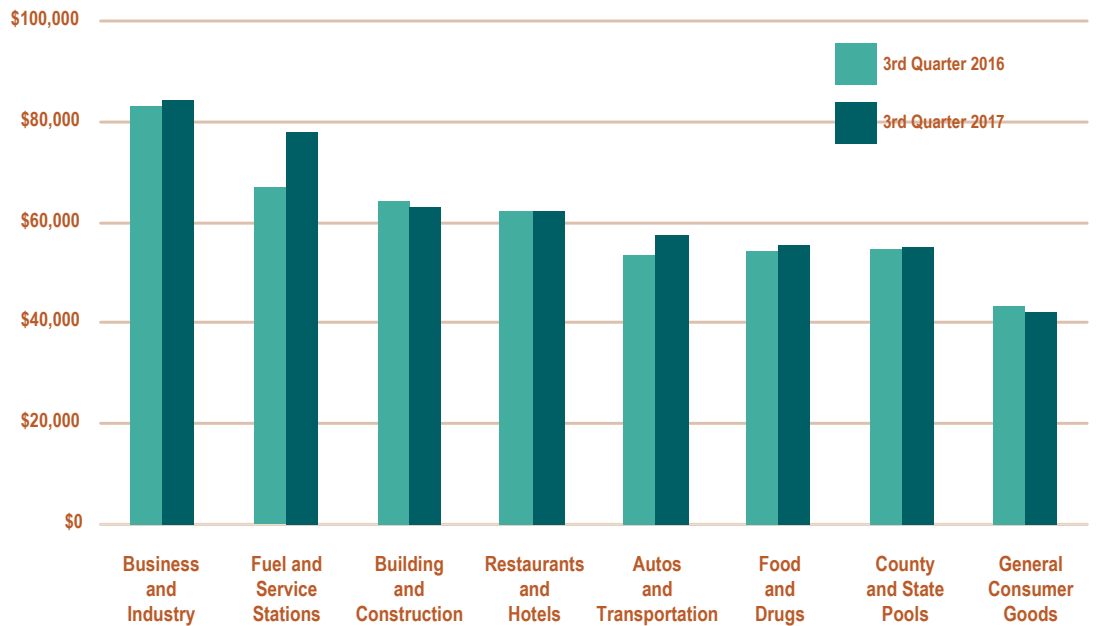
A missing payment nearly wiped out all gains stemming from an increase in retail sales posted in the business-industry group. The food and drug group posted a gain this period that was created by a prior year reporting adjustment.

Partially offsetting the gains were a decline in construction activity that was well below the statewide average and an overall decline in general consumer good sales.

In its second quarter of collections, Measure E generated \$423,898. Auto and transportation spending along with business-to-business commerce are the largest contributors to Measure E at this time.

Net of reporting adjustments, taxable sales for all of Humboldt County grew 2.2% over the comparable time period; the Far North region was up 3.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware & Garden	Northcoast Horticulture Supply
Burger King	O'Reilly Auto Parts
Eel River Brewing	Peterson Tractor
Forbusco Lumber	Rays Used Cars
Fortuna Chevron	Redi Rents
Fortuna Gas 4 Less	Rite Aid
Grocery Outlet	Safeway
Hummel Tire & Wheel	Sequoia Gas
L & M Renner	Tractor Supply
Larry's Market	Village Sport & Cycle
Les Schwab	Walgreens
McDonalds	Wyckoff Plumbing
Mercer Fraser	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$427,038	\$442,321
County Pool	54,414	54,824
State Pool	146	342
<b>Gross Receipts</b>	<b>\$481,597</b>	<b>\$497,487</b>
Measure E	\$0	\$425,938

**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.

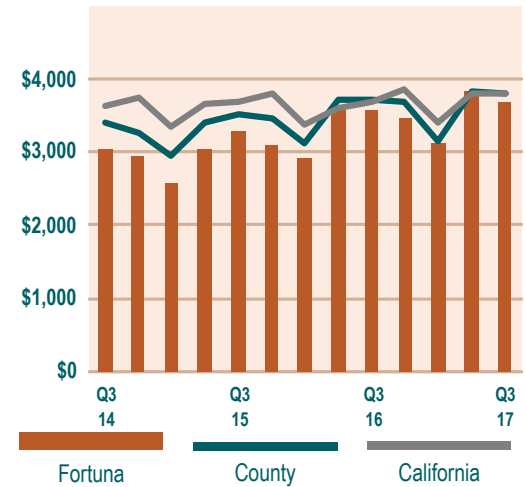
**Sales Tax and Natural Disasters**

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

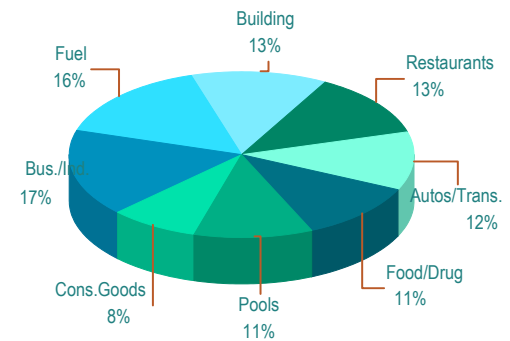
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five 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**  
Fortuna This Quarter



**FORTUNA TOP 15 BUSINESS TYPES**

Business Type	Fortuna		County	HdL State
	Q3 '17	Change	Change	Change
Auto Repair Shops	11,611	-0.1%	-1.2%	3.7%
Automotive Supply Stores	35,751	8.2%	4.5%	3.7%
Building Materials	— CONFIDENTIAL —	—	1.3%	5.6%
Casual Dining	40,072	-3.3%	-1.6%	2.5%
Contractors	13,931	5.6%	18.5%	6.5%
Convenience Stores/Liquor	12,051	3.8%	4.5%	7.8%
Drug Stores	— CONFIDENTIAL —	—	5.3%	7.3%
Electronics/Appliance Stores	13,536	-3.1%	14.1%	0.4%
Garden/Agricultural Supplies	44,265	-14.1%	-7.3%	10.4%
Grocery Stores	— CONFIDENTIAL —	—	0.1%	0.6%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	4.7%	28.4%
Quick-Service Restaurants	22,035	7.0%	10.9%	4.8%
Service Stations	62,308	19.3%	15.9%	9.2%
Used Automotive Dealers	— CONFIDENTIAL —	—	1.0%	2.9%
Warehouse/Farm/Const. Equip.	— CONFIDENTIAL —	—	5.2%	7.4%
<b>Total All Accounts</b>	<b>442,321</b>	<b>3.6%</b>	<b>3.1%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>55,166</b>	<b>1.1%</b>	<b>0.6%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>497,487</b>	<b>3.3%</b>	<b>2.8%</b>	<b>4.2%</b>