

# Q3 2017



# City of Nevada City Sales Tax *Update*

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

## Nevada City In Brief

Nevada City's receipts from July through September were 9.6% above the third sales period in 2016.

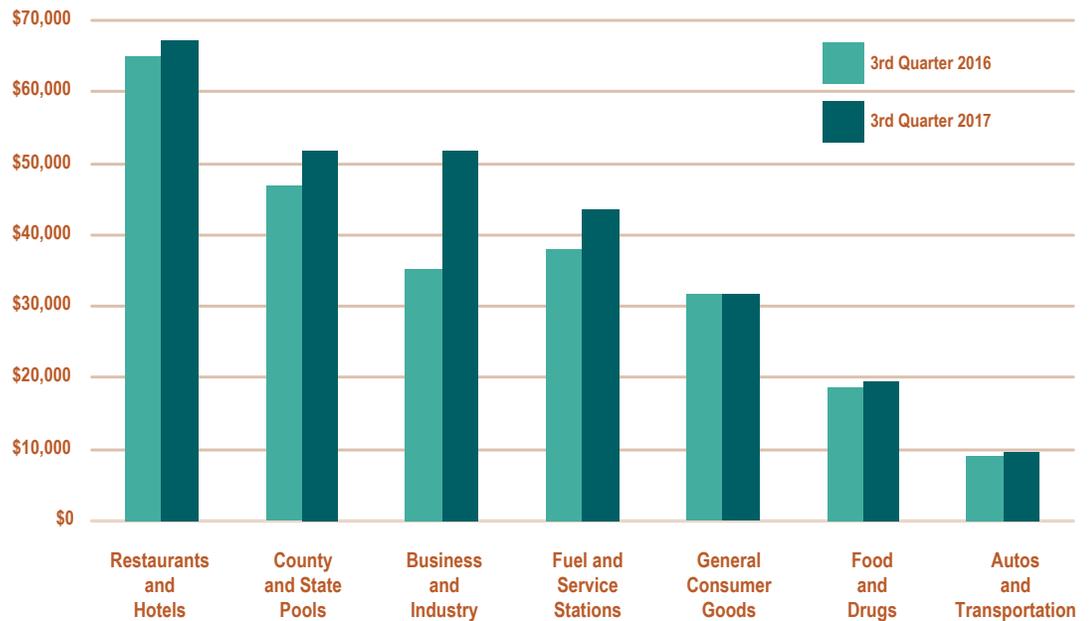
Periodic onetime sales accounted for the spike in the business and industry group and the overall gain in gross receipts. Fuel-related sectors benefited from higher prices while food and drugs posted positive returns.

Restaurant summer season performance was boosted by double payments. Once adjusted, actual revenues dipped 3.9%. The countywide use tax allocation pool has become a significant portion of the City's sales tax base.

Receipts from the City's three voter approved transaction taxes increased 45.5% compared to a year ago. Effective April 2017, Measure C contributed to this gain. The existing Measure L will expire in March 2018.

Net of aberrations, taxable sales for all of Nevada County grew 5.3% 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

49er Communications	Plaza Tire & Auto Service
Bonanza Market	Port of Subs Express Market
California Organics	Riebes Auto Parts
Crazy Horse Saloon & Grill	Robinson Enterprises
Express Mart & Liquor	Sierra Metal Fabricators
Friar Tucks Restaurant	Sopa Thai Cuisine
Golden Era	SPD Market
Jernigans Tap House & Grill	Stone House
JH Petroleum	Telestream
Leftys Grill	Three Forks Bakery & Brewing Company
Mi Pueblo Taqueria	Tour of Nevada City Bicycle Shop
New Moon Cafe	Vital Garden Supply
Northridge of Nevada City	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$414,396	\$435,717
County Pool	93,829	99,405
State Pool	154	70
<b>Gross Receipts</b>	<b>\$508,380</b>	<b>\$535,192</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.

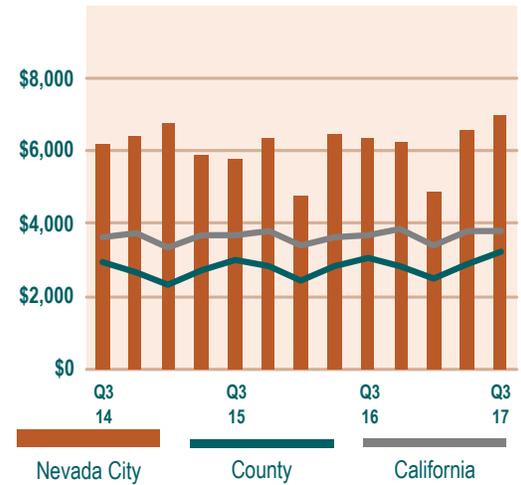
**Sales Tax and Natural Disasters**

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**



**COUNTY OVERALL 3Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	3.6%	5.5%
Building and Construction	7.2%	6.1%
Business and Industry	3.4%	-0.5%
Food and Drugs	4.2%	2.3%
Fuel and Service Stations	12.3%	15.5%
General Consumer Goods	-4.6%	-2.4%
Restaurants and Hotels	9.1%	4.0%
County and State Pools	6.5%	8.8%
<b>Total</b>	<b>5.4%</b>	<b>5.3%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP Nevada City This Quarter**

