

Q1 2019



City of Nevada City Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Nevada City In Brief

Nevada City's receipts from January through March were 16.0% above the first sales period in 2018. Excluding reporting aberrations, actual sales were up 4.5%.

The requirement to adhere to the rules governing taxpayer confidentiality limits the amount of detail that can be shared regarding this quarter's results. Several categories were boosted by double payments.

Accounting anomalies inflated results in the restaurants and hotels category which posted modest returns of 1.1% after adjusting for the anomalies. A new business boosted returns in the food and drug group.

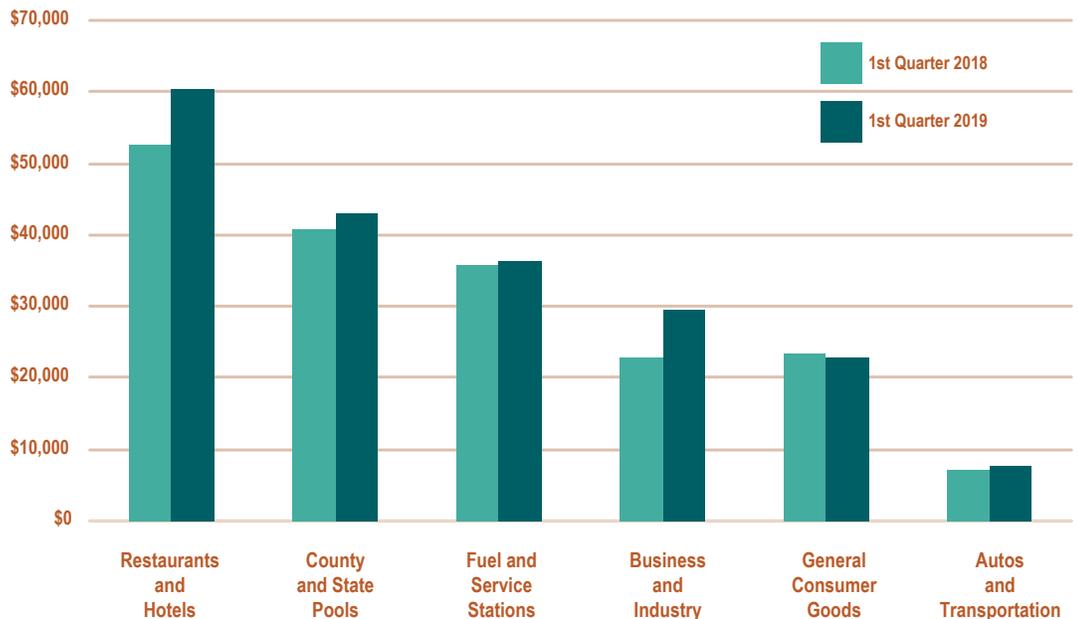
The decline from a closure in business and industry was offset by the opening of a new outlet.

Double payments slightly inflated results in the Nevada countywide pool. The City's pool allocation was flat after accounting for the anomalies.

The voter approved Measures C and S generated \$245,306 of sales tax revenue, also inflated by double payments.

Net of aberrations, taxable sales for all of Nevada County grew 1.3% over the comparable time period; the Far North region was up 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Asylum Down	Northridge Inn
Bonanza Market	Plaza Tire & Auto Service
California Organics	Riebes Auto Parts
Chevron	Robinson Enterprises
Crazy Horse Saloon & Grill	Sierra Metal Fabricators
Electrical Design Technology	Sopa Thai Cuisine
Elevation 2477	South Pine Cafe
Friar Tucks Restaurant	SPD Market
J H Petroleum	SPD Saw Shop
Jernigans Tap House & Grill	Sushi Q
Lefty's Grill	Three Forks Bakery & Brewing Company
Mi Pueblo Taqueria	Vital Garden Supply
New Moon Cafe	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$605,062	\$761,093
County Pool	181,078	153,749
State Pool	419	413
Gross Receipts	\$786,559	\$915,255
Measure S	\$463,960	\$530,931
Measure C	\$341,032	\$396,606

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

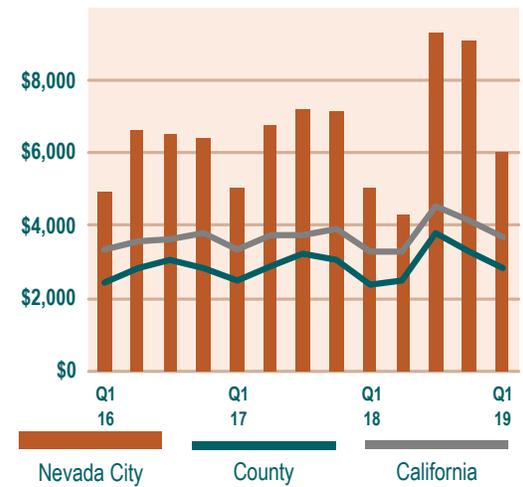
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



COUNTY OVERALL 1Q YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	4.3%	-2.6%
Building and Construction	15.0%	-5.7%
Business and Industry	20.1%	3.9%
Food and Drugs	10.4%	5.2%
Fuel and Service Stations	18.4%	0.5%
General Consumer Goods	33.5%	8.0%
Restaurants and Hotels	22.8%	-2.9%
County and State Pools	6.4%	1.5%
Total	17.0%	1.3%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP
Nevada City This Quarter

