

Q4 2018



City of Nevada City Sales Tax *Update*

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

Nevada City In Brief

Nevada City's receipts from October through December were 12.2% above the fourth sales period in 2017. A decline from the county-wide pool was expected; the City's \$33,000 share of an allocation error remitted a year ago reversed and explained this drop in use tax revenues. After removing this exception and all reporting aberrations, actual sales were up 5.0%.

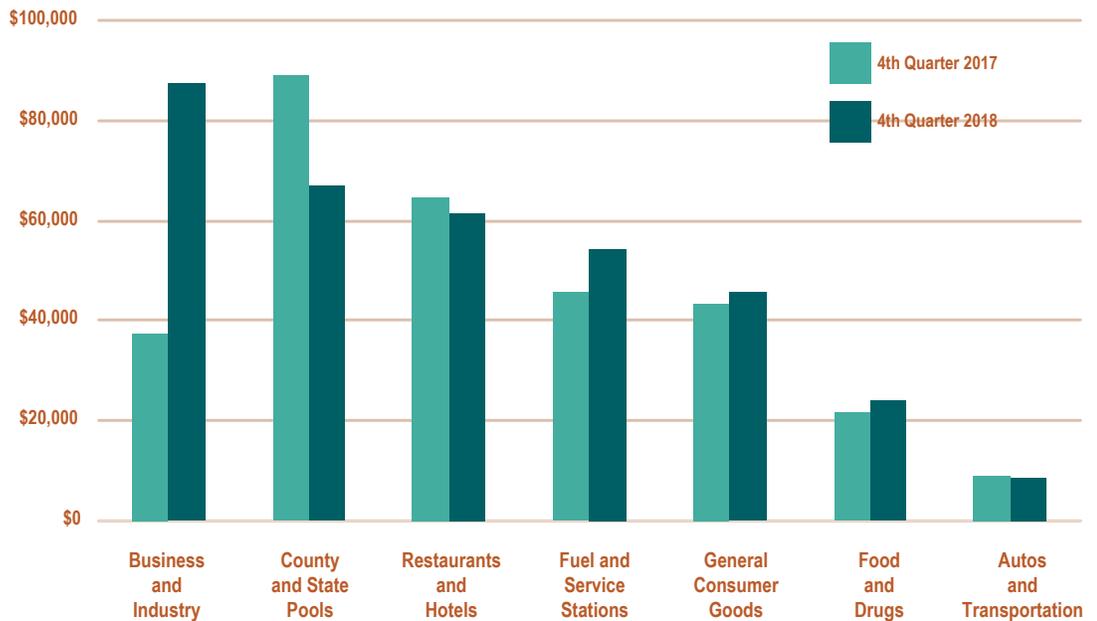
Strength came from improved business-industry activity; receipts grew in part due to a recent manufacturer relocation into the community. Fourth quarter 2018 fuel prices were up; this translated to improved proceeds by service stations.

Taxes due from prior periods continued to flow as the State remedied issues with its new computer system. However, delayed allocations decreased restaurants and general consumer goods.

Measure C reported \$128,791 this period while Measure S brought in \$172,043. Both amounts include delayed State distributions from prior quarters and represent increases of 5.4% and 3.7% respectively over the prior year.

Net of aberrations, taxable sales for all of Nevada County declined 0.7% over the comparable time period; the Far North region was flat.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

49er Communications	J H Petroleum
Abstrakt	Lefty's Grill
Bonanza Market	New Moon Cafe
California Organics	Northridge Inn
Chevron	Plaza Tire & Auto Service
County Of Nevada	Robinson Enterprises
Crazy Horse Saloon & Grill	South Pine Cafe
Electrical Design Technology	SPD Market
Elevation 2477	Stone House
Ferrellgas	Telestream
Friar Tucks Restaurant	Three Forks Bakery & Brewing
Fur Traders	Tour of Nevada City Bicycle Shop
Hospice Gift & Thrift	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$447,333	\$573,836
County Pool	140,381	110,758
State Pool	269	300
Gross Receipts	\$587,982	\$684,894
Measure S	\$332,158	\$391,108
Measure C	\$244,324	\$292,409

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 solid sales of 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 was the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online retailers, driven by rapidly changing consumer buying habits, was part of the reason for weak results from brick-and-mortar stores. 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.

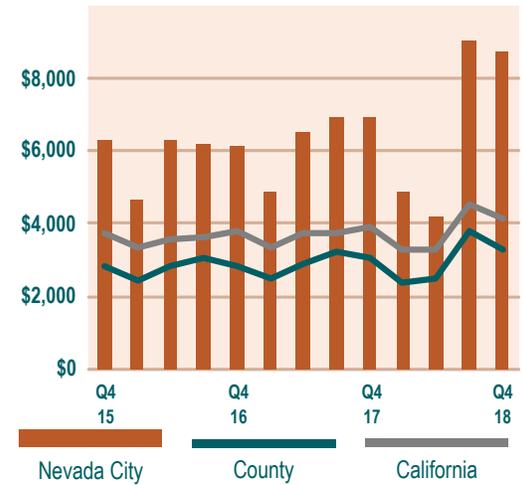
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide

more intimate shopping experiences.

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	7.9%	5.5%
Building and Construction	4.4%	3.5%
Business and Industry	25.0%	1.2%
Food and Drugs	2.1%	0.4%
Fuel and Service Stations	17.2%	10.4%
General Consumer Goods	-1.5%	-4.8%
Restaurants and Hotels	13.2%	-0.1%
County and State Pools	-35.6%	-9.3%
Total	-4.0%	-0.7%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP Nevada City This Quarter

