

Q4 2019



Mendocino County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Mendocino County In Brief

The unincorporated area's receipts from October through December were 9.0% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 6.8%.

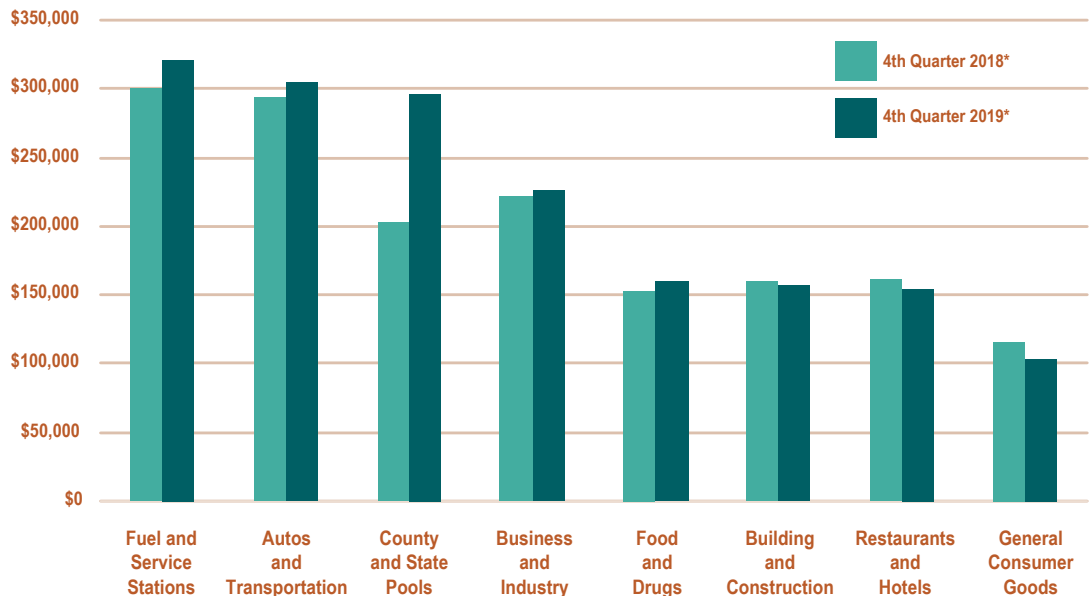
Due to the full implementation of Wayfair/Marketplace Facilitators regulations under AB 147, the County's share of the countywide use tax collections improved 46%; bigger distributions accounted for 84% of the overall quarterly sales tax increase.

Service stations benefitted from steady fuel price ascents. Autos-transportation recorded more transactions; this group outperformed state trends.

Public safety power shutoffs occurred during this reporting cycle; their impacts varied across segments. Garden/agricultural supplies, grocers and contractors reported positive gains. Activity slowed at casual dining, building material companies and wineries.

Net of aberrations, taxable sales for all of Mendocino County grew 8.9% over the comparable time period; the Far North region was up 4.6%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Acme Rigging Co	Motosports of Ukiah
California Shingle & Shake Co	Navarro Vineyards
Defatte Equipment	Nor Cal Gasoline
Granite Construction	Norcal Recycled Rock & Aggregate
Graviers Chevron	Pace Supply
Gualala Supermarket	Raley's
Harvest At Mendosa	Red Coast Fuels Chevron
In N Out Burger	Redwood Market
Jet Equipment Corporation	Shell
Keiths Family Food Center	Thurston Auto Plaza Chevrolet Toyota
M & M Feed & Supply	Thurston Chrysler Dodge Jeep Ram
Mendo Mill & Lumber Company	Thurston Honda
	USA Gas

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$3,258,266	\$3,217,842
County Pool	457,369	540,159
State Pool	1,635	1,420
Gross Receipts	\$3,717,269	\$3,759,422
Measure A	\$1,178,396	\$1,186,720
Measure B	\$4,637,978	\$4,717,795

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California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

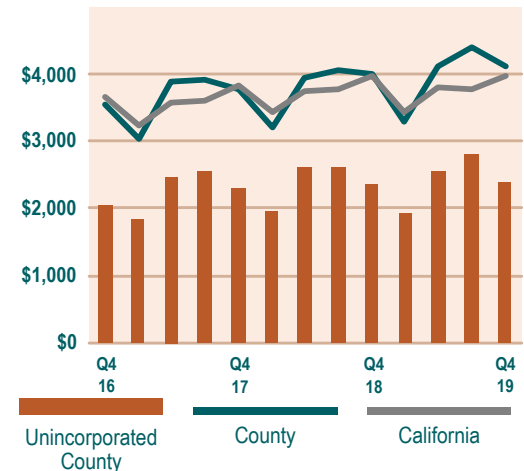
Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

Covid-19

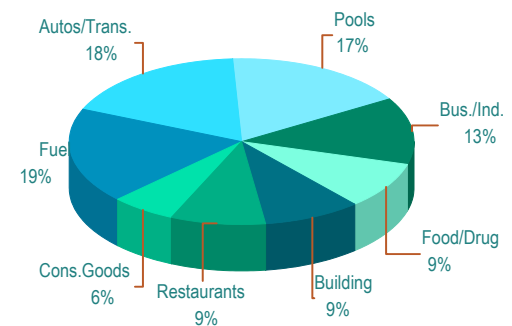
The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*

*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Mendocino Co. Uninc This Quarter*

*Allocation aberrations have been adjusted to reflect sales activity

MENDOCINO COUNTY TOP 15 BUSINESS TYPES**

<i>*In thousands of dollars</i>				
Business Type	Unincorporated County		County	HdL State
	Q4 '19*	Change	Change	Change
Auto Repair Shops	29.0	-5.2%	-3.2%	-1.0%
Boats/Motorcycles	— CONFIDENTIAL —		50.2%	0.3%
Building Materials	48.5	-10.1%	6.7%	1.4%
Cannabis Related	37.6	1.0%	16.5%	27.9%
Casual Dining	61.2	-12.5%	-4.0%	3.8%
Contractors	68.6	3.3%	1.5%	-4.4%
Garden/Agricultural Supplies	38.4	12.3%	13.9%	-0.3%
Grocery Stores	103.5	7.5%	6.5%	1.3%
Heavy Industrial	26.5	-8.1%	-8.2%	-3.2%
Light Industrial/Printers	31.6	27.7%	14.5%	-7.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —		18.8%	-3.4%
Plumbing/Electrical Supplies	34.7	-3.8%	7.8%	-0.6%
Quick-Service Restaurants	29.4	-2.0%	-0.3%	1.9%
Service Stations	308.9	6.4%	-1.6%	0.2%
Wineries	62.7	-8.7%	-7.9%	-1.2%
Total All Accounts	1,427.8	1.2%	3.2%	0.2%
County & State Pool Allocation	296.0	45.9%	49.0%	26.7%
Gross Receipts	1,723.8	6.8%	8.9%	4.2%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.