

Q1 2019



City of Tustin Sales Tax *Update*

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

Tustin In Brief

Tustin's receipts from January through March were 13.7% above the first sales period in 2018. However, this comparison is inflated due to CDTF's transition to a new reporting system in the prior year which temporarily left multiple returns unprocessed. After including the prior remittances and other reporting aberrations, actual sales were still up 2.5%.

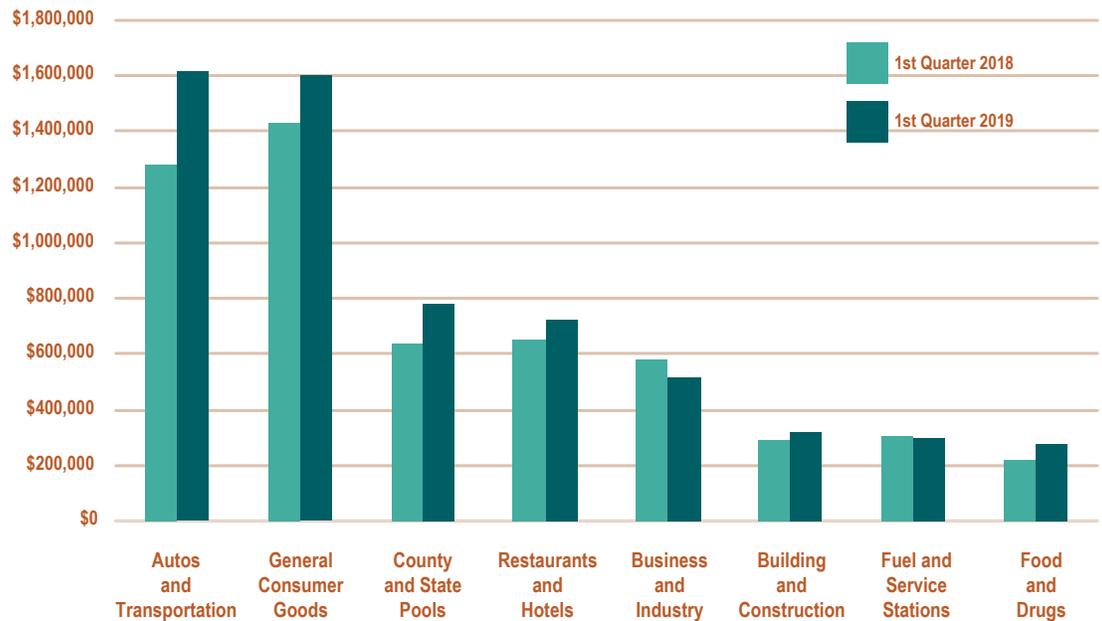
Once adjusted, solid returns by new auto dealers and increased leasing activity helped push autos-transportation higher, while the recent additional of a specialty retailer lifted general consumers.

Growth from restaurants was similar to the statewide trend where quick-service and casual dining were up slightly but a new eatery boosted the fast-casual sector. Despite poor weather, local building material suppliers experienced modest gains.

The combination of improved local point of sale revenue and increased capital and online purchases of items shipped into the region, bolstered allocations from the county-wide use tax pool, further enhancing the positive outcome.

Net of aberrations, taxable sales for all of Orange County grew 1.3% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AutoNation Ford	Target
AutoNation Infiniti	TJ Maxx
Best Buy	Toshiba America Medical System
Chevron	Toyota Lease Trust
Costco	Tustin Acura
Home Depot	Tustin Buick GMC
Jewelry Exchange	Tustin Cadillac
Lowe's	Tustin Chrysler Jeep Dodge
Micro Center	Tustin Hyundai/Mazda
Musco Sports Lighting	Tustin Lexus
Nissan Infiniti	Tustin Toyota & Tustin Scion
Nissan of Tustin	
Nordstrom Rack	
REI	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$16,210,586	\$17,928,719
County Pool	2,152,998	2,487,554
State Pool	10,089	9,282
Gross Receipts	\$18,373,673	\$20,425,554

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.

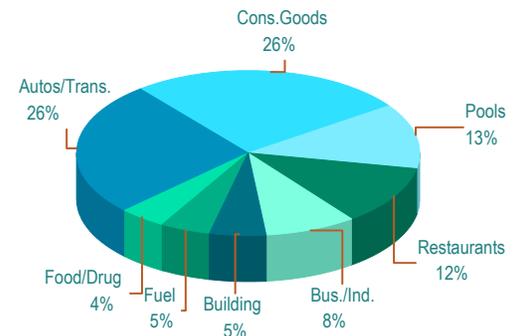
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances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



REVENUE BY BUSINESS GROUP
Tustin This Quarter



TUSTIN TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Tustin Q1 '19*	Change	County Change	HdL State Change
Auto Lease	293.2	na	na	na
Building Materials	245.6	10.3%	2.7%	4.0%
Business Services	83.6	67.3%	60.8%	65.5%
Casual Dining	390.4	15.8%	10.2%	13.3%
Discount Dept Stores	- Confidential -	-	0.8%	2.9%
Electronics/Appliance Stores	131.0	-7.7%	-7.3%	-3.3%
Family Apparel	187.3	2.3%	6.5%	7.1%
Grocery Stores	150.7	37.2%	35.1%	25.7%
Home Furnishings	98.2	58.1%	-2.3%	3.4%
New Motor Vehicle Dealers	1,189.8	2.9%	2.3%	-1.8%
Office Supplies/Furniture	- Confidential -	-	10.9%	-0.7%
Quick-Service Restaurants	230.6	3.0%	7.9%	10.0%
Service Stations	288.2	-2.4%	0.6%	15.8%
Specialty Stores	149.1	58.0%	22.5%	23.4%
Sporting Goods/Bike Stores	128.6	11.3%	7.2%	2.7%
Total All Accounts	5,343.1	12.5%	10.9%	13.5%
County & State Pool Allocation	779.5	22.7%	21.0%	23.8%
Gross Receipts	6,122.6	13.7%	12.1%	14.9%