

Q2 2019



City of Tustin Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Tustin In Brief

Tustin's receipts from April through June were 14.0% above the second sales period in 2018. However, this comparison is inflated due to CDT-FA's transition to a new reporting system. Excluding reporting aberrations, actual sales were up 3.2%.

Recent openings in several sectors including home furnishings were a major factor in the actual gain of 6.2% in general retail. Restaurants also benefited from a new eatery which pushed up receipts by 5.5% and outperformed regional trends.

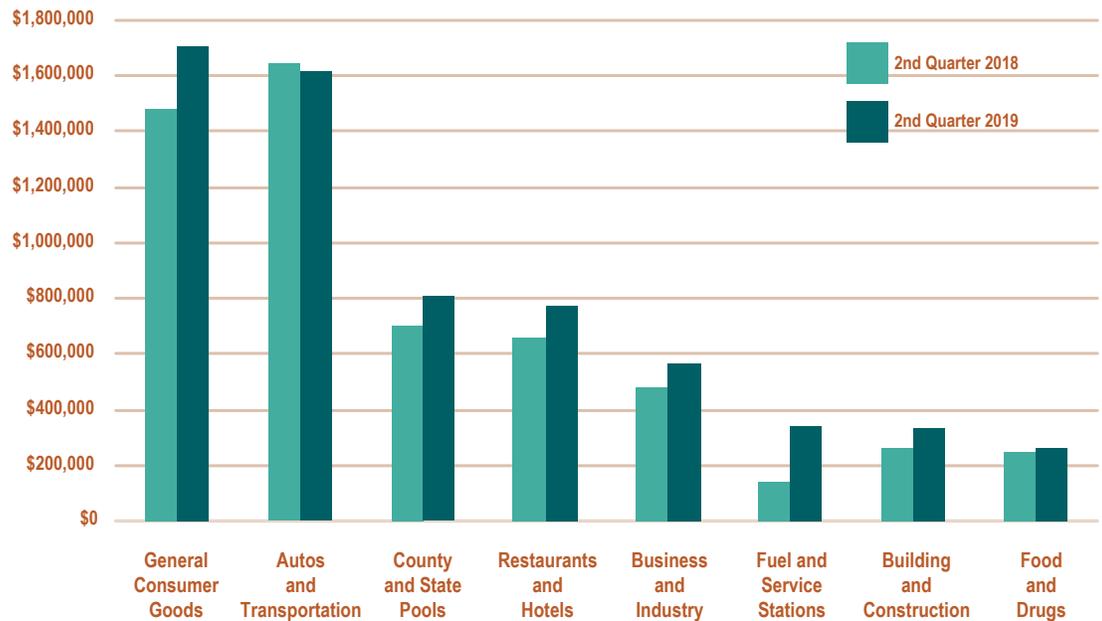
State-related disbursement issues overstated positive results in service stations, food and drugs and building-related sectors.

Business closures accounted for the 7.1% decline in business to business sales on an adjusted basis.

Catch up allocations which yielded the year-ago boost in autos and transportation pulled down overall results in comparison. Once these deviations were removed, new autos were up 0.4% and auto leasing jumped 6.9%.

Net of aberrations, taxable receipts for all of Orange County grew 4.0% over the comparable time period; the Southern California region was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AutoNation Ford	REI
AutoNation Infiniti	Shell
Best Buy	Target
Best Choice Products	TJ Maxx
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
Nissan Infiniti	Tustin Lexus
Nissan of Tustin	Tustin Toyota & Tustin Scion
Nordstrom Rack	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$21,127,876	\$23,530,336
County Pool	2,851,027	3,289,816
State Pool	11,927	11,684
Gross Receipts	\$23,990,830	\$26,831,836

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

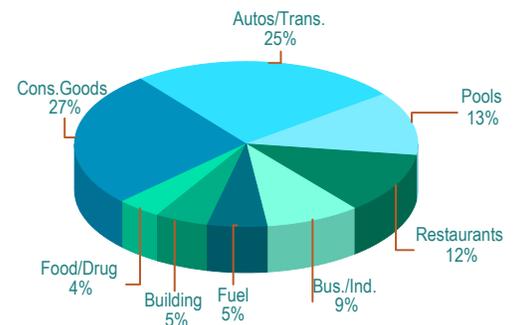
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Tustin This Quarter



TUSTIN TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Tustin Q2 '19*	Change	County Change	HdL State Change
Auto Lease	236.4	-30.5%	-48.5%	-48.7%
Building Materials	264.8	44.0%	26.8%	34.1%
Casual Dining	390.6	15.0%	25.1%	24.5%
Convenience Stores/Liquor	92.5	5.4%	9.6%	14.9%
Discount Dept Stores	—	CONFIDENTIAL	22.9%	26.3%
Electronics/Appliance Stores	153.8	2.3%	10.1%	7.0%
Family Apparel	200.9	20.8%	35.2%	45.3%
Grocery Stores	121.7	5.2%	3.8%	9.6%
Home Furnishings	133.9	311.6%	16.9%	15.8%
New Motor Vehicle Dealers	1,262.3	6.8%	22.8%	5.4%
Office Supplies/Furniture	—	CONFIDENTIAL	14.0%	13.4%
Quick-Service Restaurants	253.1	16.6%	15.8%	15.9%
Service Stations	337.5	154.6%	61.7%	51.4%
Specialty Stores	101.5	-11.4%	-2.3%	-8.5%
Sporting Goods/Bike Stores	135.4	145.3%	40.6%	29.7%
Total All Accounts	5,601.6	13.9%	21.5%	20.1%
County & State Pool Allocation	804.7	15.0%	22.1%	22.4%
Gross Receipts	6,406.3	14.0%	21.6%	20.4%