

# Q2 2018



# City of Dublin Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

## Dublin In Brief

Dublin's receipts from April through June were flat compared to the second sales period in 2017. Cash receipts were depressed due to ongoing issues related to the State's transition to a new software and reporting system that for the second consecutive quarter caused multiple allocations to not get posted. Accounting for these allocations and other aberrations, actual sales were up 5.6%.

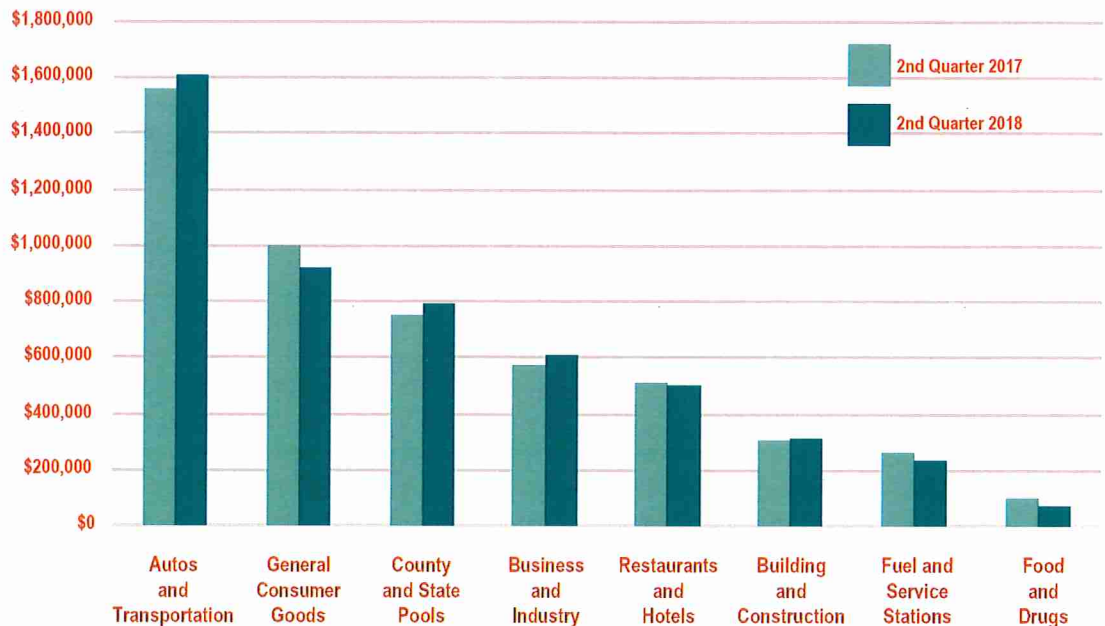
Multiple double payments from leasing companies and a 1.8% increase in new car sales pushed automotive receipts up 3.3%. Sharp increases from a couple vendors boosted business to business sales 11.0%. Onetime use tax payments from contractors and a newly located plumbing supply outlet offset lower building material returns and lifted building and construction sales 17.7%.

The allocation from the countywide use tax pool increased 6.0%.

Missing payments heavily impacted the fuel group, restaurants, general consumer goods, and food and drugs. Actual service station and dining out sales were up 10.8% and 17.7%, respectively. General retail sales and food and drugs were down 0.7% and 0.1%, respectively.

Net of aberrations, taxable sales for all of Alameda County grew 5.6% over the comparable time period; the Bay Area was up 2.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alcosta Shell	Hyundai Lease
Best Buy	Titling Trust
Carl Zeiss Ophthalmic Systems	Lowes
Dick's Sporting Goods	Mazda
Dublin Auto Group	Nordstrom Rack
Chevrolet Infiniti	Pace Supply
Buick Gmc	Safeway
Dublin Hyundai	Safeway Fuel
Dublin Nissan	Shell Service
El Monte RV	Target
Fallon Gateway	Tesla Motors
Chevron	Toyota
Graybar Electric	Toys R Us
Honda	Volkswagen
	Winn Kia

### REVENUE COMPARISON

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

	2016-17	2017-18
Point-of-Sale	\$17,769,961	\$17,591,060
County Pool	2,958,060	2,922,142
State Pool	10,153	10,214
<b>Gross Receipts</b>	<b>\$20,738,175</b>	<b>\$20,523,416</b>



**California Overall**

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

**Tariff Policies and Sales Tax**

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

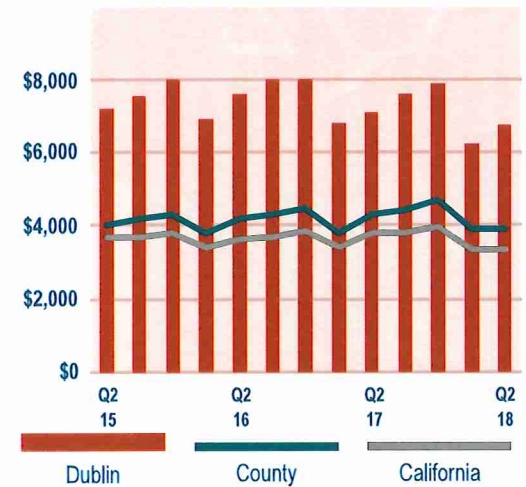
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

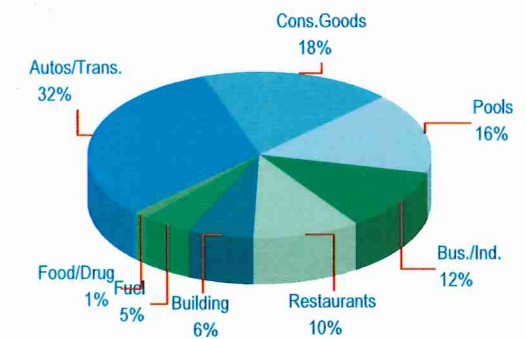
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Dublin This Quarter



**DUBLIN TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Dublin Q2 '18*	Change	County Change	HdL State Change
Auto Lease	115.9	62.0%	43.9%	60.9%
Building Materials	158.5	-16.2%	-21.9%	-23.2%
Casual Dining	321.5	8.6%	-11.0%	-12.6%
Contractors	82.0	76.4%	18.5%	-10.7%
Department Stores	— CONFIDENTIAL —		9.6%	12.7%
Discount Dept Stores	— CONFIDENTIAL —		-13.0%	-13.5%
Electrical Equipment	— CONFIDENTIAL —		-32.8%	-23.9%
Electronics/Appliance Stores	173.1	5.4%	-11.6%	-5.1%
Family Apparel	89.4	-22.5%	-26.2%	-27.2%
Home Furnishings	101.9	-27.6%	-36.3%	-21.7%
Medical/Biotech	— CONFIDENTIAL —		-30.9%	-28.4%
New Motor Vehicle Dealers	1,342.0	0.6%	38.7%	-1.9%
Quick-Service Restaurants	83.4	-20.7%	-7.4%	-5.8%
Service Stations	235.9	-9.6%	-26.5%	-26.4%
Specialty Stores	154.5	26.4%	-7.8%	-4.6%
<b>Total All Accounts</b>	<b>4,261.9</b>	<b>-1.1%</b>	<b>-9.6%</b>	<b>-12.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>796.5</b>	<b>6.5%</b>	<b>-2.6%</b>	<b>5.5%</b>
<b>Gross Receipts</b>	<b>5,058.3</b>	<b>0.0%</b>	<b>-8.6%</b>	<b>-10.1%</b>