

Q3 2019



City of Fullerton Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

Fullerton In Brief

Fullerton's receipts from July through September were 7.1% below the third sales period in 2018 though the decline was the result of numerous anomalies in payment timing that occurred after the State's recent transition to a new reporting system. After adjusting for the correct allocation period, sales were 1.7% higher.

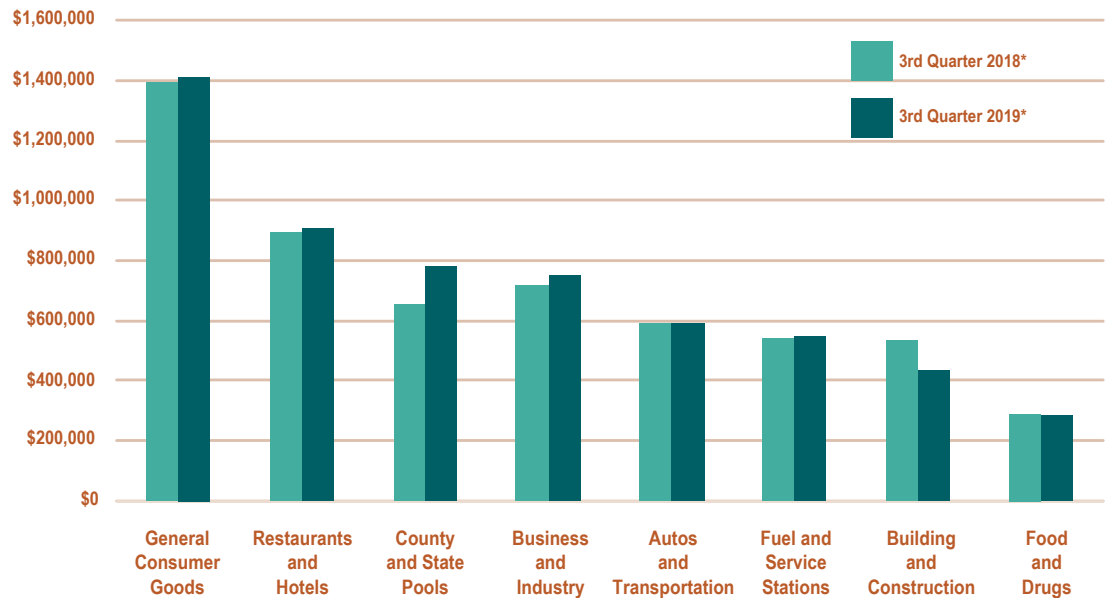
The largest factor in this improvement was a surge in allocations from the countywide use tax pool that has been boosted by the implementation of California's AB 147 legislation as a result of the Supreme Court's recent Wayfair decision. The law, implemented April 1, has established a lower threshold to collect use-tax on internet sales, contributing to a 19% increase in Fullerton's receipts from the pool over the last year.

Quick-service restaurant and textile/furnishing sales were also stronger. Used car sales increased as the record price of new cars has made the plentiful supply of relatively new, off-lease vehicles a strong value proposition for consumers.

The sale of building-construction materials fell, consequently, with the recent closure of a local supplier.

Net of aberrations, taxable sales for all of Orange County grew 3.3% over the comparable time period; the Southern California region was up 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP



**Allocation aberrations have been adjusted to reflect sales activity*

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Happy Jewelry
Anderco	Home Depot
Arco AM PM	McCoy & Mills Ford
Atlas Construction Supply	OC Auto Exchange
Auto Republic	Ocean Subaru of Fullerton
Best Buy	Opus Inspection
Burlington	Ralphs
Chevron	Rexel
Costco	Sam's Club w/ Fuel
CSU Fullerton Foundation	Shell
Engineered Floors	Target
Floor & Decor	United Duralume Products
Golden West Towing Equipment	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$5,735,392	\$5,235,215
County Pool	777,809	813,437
State Pool	2,943	2,070
Gross Receipts	\$6,516,144	\$6,050,723

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

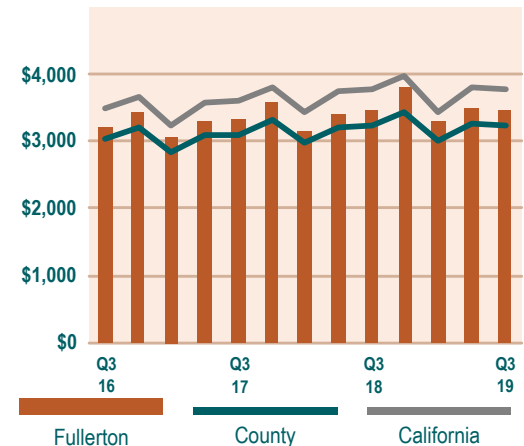
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

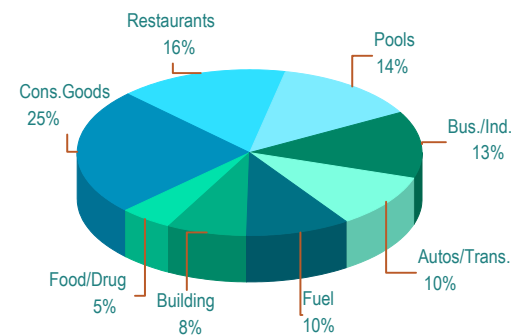
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP Fullerton This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

FULLERTON TOP 15 BUSINESS TYPES**

*In thousands of dollars				
Business Type	Fullerton Q3 '19*	Change	County Change	HdL State Change
Automotive Supply Stores	94.9	0.5%	1.0%	3.7%
Building Materials	184.1	4.6%	-2.5%	0.1%
Casual Dining	379.8	1.0%	-0.3%	2.3%
Contractors	124.8	-4.3%	-15.9%	2.6%
Discount Dept Stores	— CONFIDENTIAL —		2.3%	2.8%
Electronics/Appliance Stores	209.6	6.0%	-2.2%	-3.1%
Family Apparel	95.6	-4.6%	2.3%	1.5%
Fast-Casual Restaurants	93.9	0.3%	4.1%	5.1%
Grocery Stores	169.3	-2.3%	1.7%	1.7%
Light Industrial/Printers	197.7	-1.2%	7.8%	2.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-4.2%	-7.2%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		7.8%	4.4%
Quick-Service Restaurants	364.6	5.5%	2.6%	2.6%
Service Stations	548.4	1.6%	-0.7%	-1.5%
Used Automotive Dealers	214.5	11.4%	8.3%	2.1%
Total All Accounts	4,941.1	-0.6%	0.7%	0.2%
County & State Pool Allocation	781.2	19.1%	16.7%	14.9%
Gross Receipts	5,722.3	1.7%	3.3%	2.3%

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