

# Q2 2019



# Fountain Valley Sales Tax *Update*

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

## Fountain Valley In Brief

Fountain Valley's receipts from April through June were 17.8% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Excluding reporting aberrations, actual sales were up 3.6%.

Strong sales by multiple general consumer retailers and increased returns from service stations were largely responsible for the overall adjusted growth.

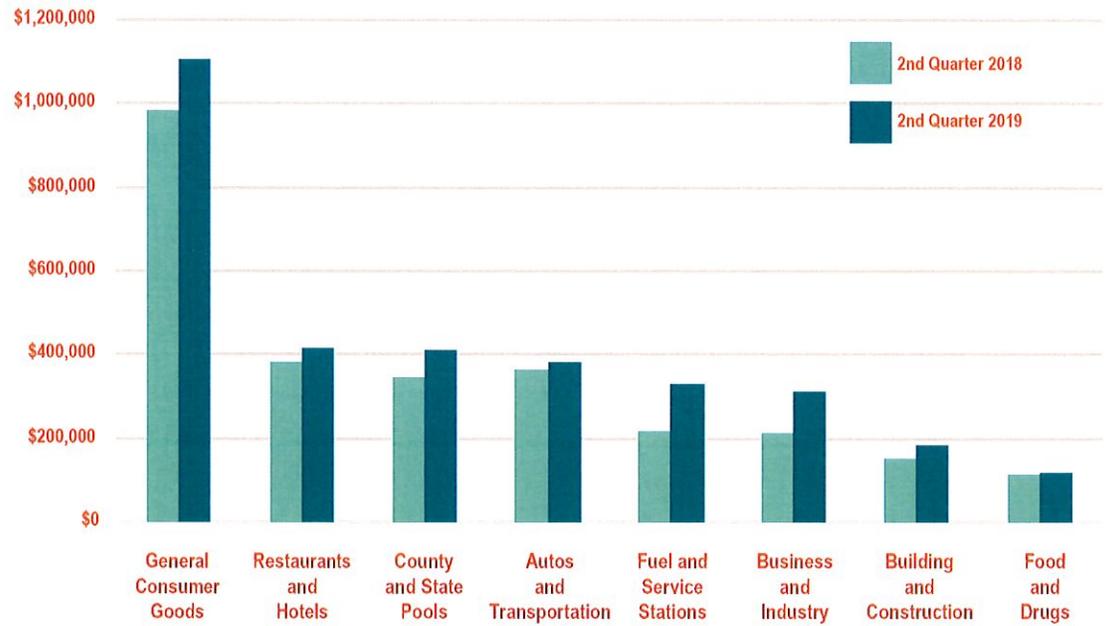
Solid summer receipts by building-construction vendors and the recent opening of a grocery store further contributed.

In contrast, the closeout of a casual dining establishment hurt restaurant results, while onetime allocations received in the prior year temporarily impacted business-industry.

The City's voter approved one-cent transaction tax, Measure HH, generated an additional \$3,245,218 a 17% increase over last year, was also dramatically impacted by CDTFA software changes. Once adjusted, the measure experienced a solid 8% gain.

Net of aberrations, taxable receipts for all of Orange County grew 4.0% over the comparable time period; the Southern California region was up 2.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply Co	Frys Electronics
Arco	Homeplus
Arco Smog Pros	Hyundai Motor America
Ashley Furniture Homestore	Jeromes Furniture
Brodard Restaurant	Mike Thompsons RVs
Chefs Toys	Ralphs
Chevron	Ross
Circle K	Sams Club w/ Fuel
Costco	Shell
Curacao	Superior Pool Products
Fam Vans	TJ Maxx
Floor & Decor	USA Gasoline
Fountain Valley Bodyworks	

### REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$10,455,922	\$11,670,436
County Pool	1,410,801	1,632,398
State Pool	5,988	5,797
<b>Gross Receipts</b>	<b>\$11,872,710</b>	<b>\$13,308,632</b>
Measure HH	\$11,614,383	\$13,421,106

**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 in 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-

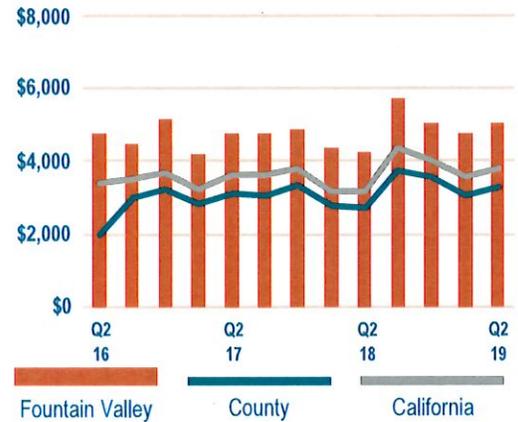
turns and exchanges.

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.

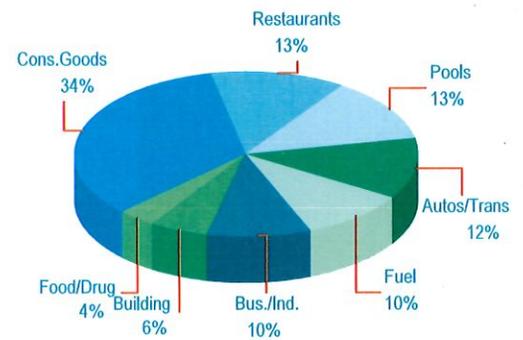
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped 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**  
Fountain Valley This Quarter



**FOUNTAIN VALLEY TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Fountain Valley Q2 '19*	Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	26.8%	34.1%
Casual Dining	223.5	13.7%	25.1%	24.5%
Contractors	82.4	-11.2%	0.8%	26.9%
Discount Dept Stores	— CONFIDENTIAL —	—	22.9%	26.3%
Electronics/Appliance Stores	66.5	-28.8%	10.1%	7.0%
Family Apparel	— CONFIDENTIAL —	—	35.2%	45.3%
Fast-Casual Restaurants	63.1	5.2%	17.1%	18.9%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	44.3%	33.7%
Grocery Stores	68.9	7.6%	3.8%	9.6%
Home Furnishings	91.1	19.0%	15.0%	15.6%
Quick-Service Restaurants	112.1	4.8%	15.8%	15.9%
Service Stations	331.3	52.3%	61.7%	51.4%
Specialty Stores	58.7	-6.2%	-2.3%	-8.4%
Trailers/RVs	— CONFIDENTIAL —	—	-7.6%	7.0%
Used Automotive Dealers	— CONFIDENTIAL —	—	132.2%	90.0%
<b>Total All Accounts</b>	<b>2,852.5</b>	<b>17.7%</b>	<b>21.5%</b>	<b>20.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>409.8</b>	<b>18.8%</b>	<b>22.1%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>3,262.2</b>	<b>17.8%</b>	<b>21.6%</b>	<b>20.4%</b>