

Q2 2012



Town of Windsor Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

Windsor In Brief

Receipts for Windsor's April through June sales were 8.1% higher than the same quarter one year ago. Actual sales activity was up 6.5% when reporting aberrations were factored out.

The impressive gain in the wine industry that pushed up returns in the business and industry group was overstated by a retroactive adjustment. A temporary payment deviation also inflated positive results in building and construction. A new business contributed to the gain.

Recent openings added to the increase in grocery stores and restaurants overall.

A store closeout offset other gains in general retail while the decline in autos and transportation was exaggerated by a onetime adjustment.

Adjusted for aberrations, taxable sales for all of Sonoma County increased 6.3% over the comparable time period, while the Bay Area as a whole was up 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

American Tartaric Products	Midwest Towers
Applied Process Cooling	Mount Storm Forest Products
Associated Winery System	Northgate Ready Mix
Charter Sales	Office Depot
Coast Counties Peterbilt	Raleys
CVS Pharmacy	Safeway
DCD Motorsports	Shear Builders
Della Toffola	Tractor Supply
Garrett Hardware	Vineyard Industry Products
Home Depot	Vinquiry
Les Schwab Tire Center	Walmart
Marcassin Wine	Windsor Chevron
	Windsor Shell

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$729,685	\$792,222
County Pool	78,630	80,596
State Pool	(429)	783
Gross Receipts	\$807,885	\$873,600
Less Triple Flip*	\$(201,971)	\$(218,400)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier. Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

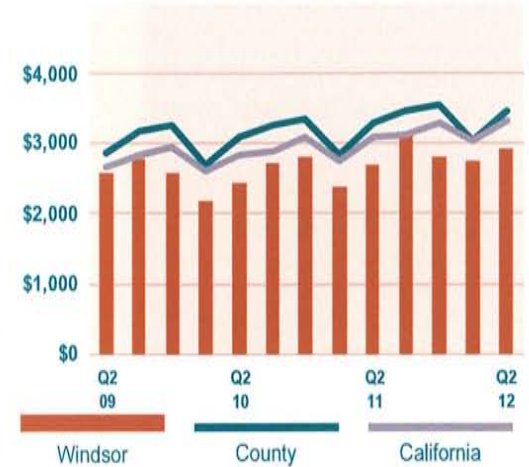
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

SALES PER CAPITA



WINDSOR TOP 15 BUSINESS TYPES

Business Type	Windsor		County	HdL State
	Q2 '12	Change	Change	Change
Automotive Supply Stores	16,045	-1.1%	6.1%	8.1%
Contractors	52,223	40.4%	15.4%	11.6%
Discount Dept Stores	— CONFIDENTIAL —		2.5%	3.7%
Food Mfg.	81,574	70.6%	8.5%	6.2%
Garden/Agricultural Supplies	12,854	2.8%	9.5%	5.1%
Grocery Stores Liquor	41,254	12.9%	5.0%	4.2%
Light Industrial/Printers	11,207	-28.1%	3.0%	-0.7%
Lumber/Building Materials	99,149	1.1%	15.0%	20.5%
New Motor Vehicle Dealers	23,587	-55.5%	14.3%	22.3%
Office Supplies/Furniture	11,534	5.8%	-27.6%	-12.8%
Restaurants Beer And Wine	23,115	-0.6%	-4.9%	0.3%
Restaurants Liquor	28,524	18.9%	15.5%	11.2%
Restaurants No Alcohol	30,111	6.0%	5.1%	8.1%
Service Stations	83,092	-2.4%	0.9%	2.3%
Wineries	44,993	279.7%	5.9%	5.2%
Total All Accounts	\$792,222	8.6%	5.2%	6.7%
County & State Pool Allocation	81,379	4.1%		
Gross Receipts	\$873,600	8.1%		