

Q1 2020



City of La Habra Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

La Habra In Brief

La Habra's receipts from January through March were 9.3% below the first sales period in 2019 but this decline was the result of the Governor's recent Executive Order allowing many businesses an extra 90-days to file their tax return. Absent this aberration, sales were up an estimated 1.5%.

La Habra's heavy concentration of discount department stores was a major factor in the City's resilience, with sales at these stores increasing 5%, even more than the 3% state-wide trend, as consumers stocked up on supplies at the beginning of the pandemic.

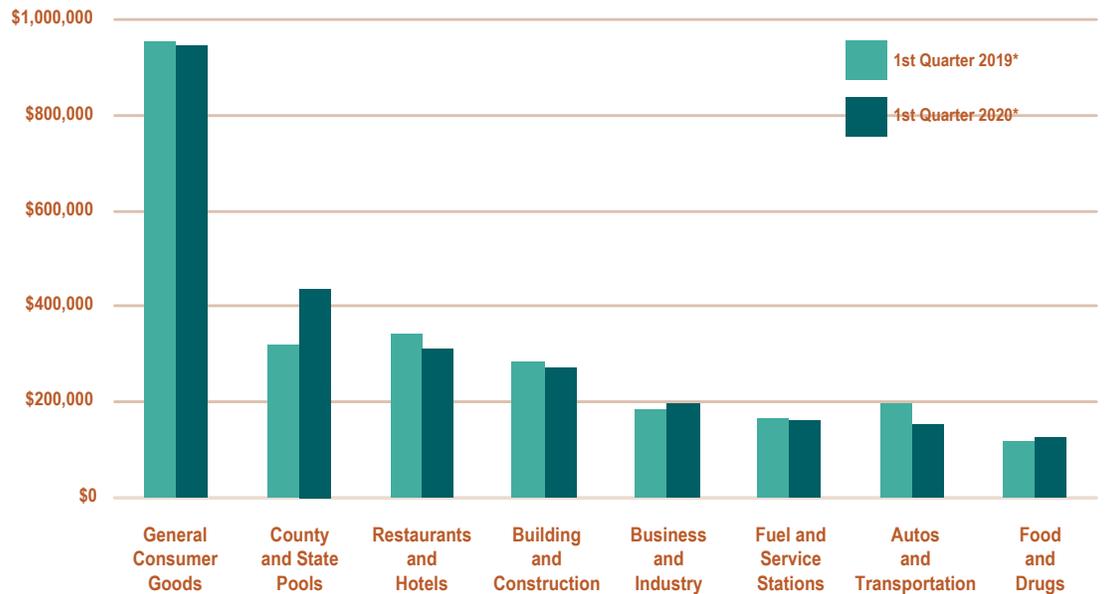
Allocations from the countywide use tax pool also surged 37% after a recent legislative change allowing the State to collect tax revenue from small, third-party sellers on internet-based, market-platforms.

Sales were lower at automotive supply and other auto-transportation related enterprises. Casual restaurant receipts also fell as the Governor's March 29 lock-down order shuttered dining rooms toward the tail-end of the quarter.

Measure T generated an additional \$1,299,000, after adjusting for identified payment anomalies.

Net of aberrations, taxable sales for all of Orange County declined 4.4% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Metro Auto
Arco AM PM	Moto United
Berri Brothers Gas	Northgate Market
Chevron	Raising Cane's
Chick Fil A	Ross
Costco	Salinas Tires & Wheels
Dangelo Company	Sams Club
Home Depot	Shepard Brothers
Howards Appliances	Star Texaco Mart & Car Wash
Hughes Water & Sewer	Target
In N Out Burger	TJ Maxx
Kohls	Walmart
Lowes	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$7,778,280	\$7,115,009
County Pool	1,079,073	1,306,965
State Pool	4,026	4,038
Gross Receipts	\$8,861,379	\$8,426,011
Measure T	\$4,497,798	\$4,334,432

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

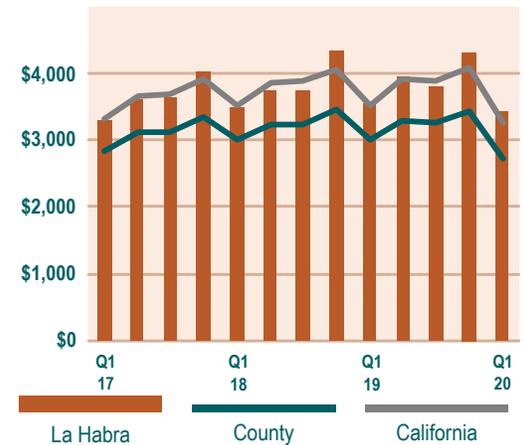
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

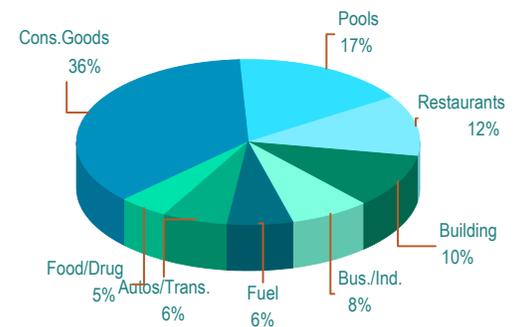
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
La Habra This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

LA HABRA TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	La Habra Q1 '20*	Change	County Change	HdL State Change
Auto Repair Shops	31.2	-22.1%	-8.2%	-7.5%
Automotive Supply Stores	60.0	-18.1%	-12.0%	-9.5%
Building Materials	198.4	-0.8%	-1.4%	3.0%
Casual Dining	102.9	-18.5%	-18.8%	-18.8%
Discount Dept Stores	700.1	5.4%	3.3%	3.2%
Drugs/Chemicals	—	CONFIDENTIAL	8.6%	0.0%
Electronics/Appliance Stores	54.3	-12.0%	-13.6%	-18.0%
Family Apparel	57.4	9.5%	-15.6%	-21.1%
Fast-Casual Restaurants	34.0	-14.8%	-11.5%	-9.9%
Grocery Stores	72.9	13.6%	11.7%	11.8%
Light Industrial/Printers	—	CONFIDENTIAL	-4.7%	-5.0%
Plumbing/Electrical Supplies	—	CONFIDENTIAL	-0.5%	1.5%
Quick-Service Restaurants	166.0	1.4%	-5.5%	-8.5%
Service Stations	160.0	-2.9%	-12.4%	-9.5%
Specialty Stores	48.6	-10.0%	-13.0%	-10.1%
Total All Accounts	2,168.4	-3.6%	-9.9%	-7.3%
County & State Pool Allocation	437.4	36.6%	21.5%	22.4%
Gross Receipts	2,605.8	1.5%	-4.4%	-3.0%

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