

# Q2 2020



# City of Avalon Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

## Avalon In Brief

Avalon's receipts from April through June were 10.3% below the second sales period in 2019. Excluding reporting aberrations, actual sales were down 51.4%.

The restaurants-hotels sector struggled during the second quarter, with results improving as many began implementing partial reopening plans. General consumer goods experienced significant declines brought on by temporary store closures.

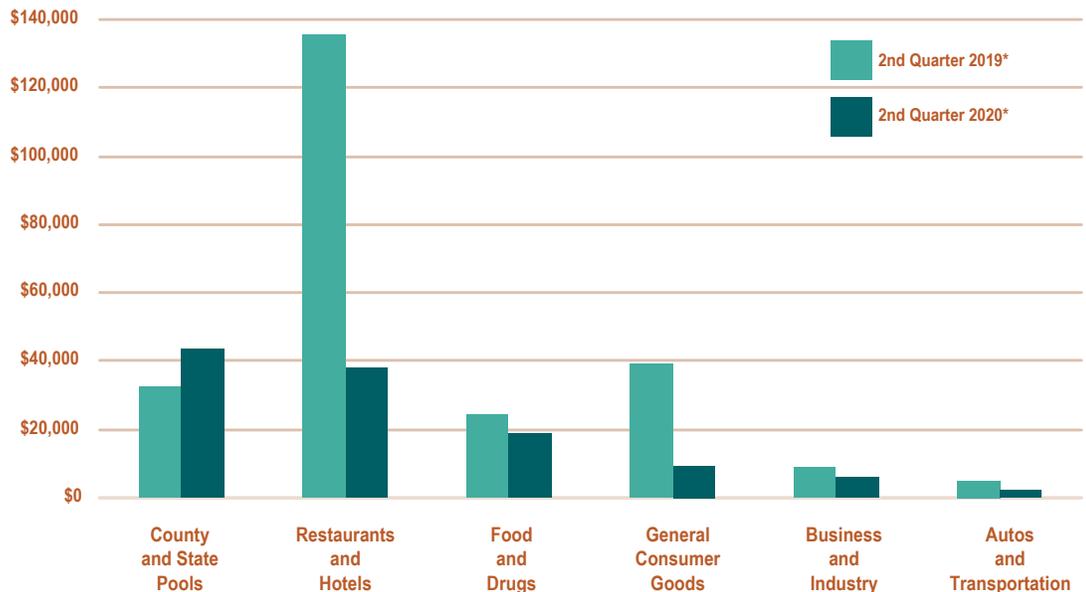
Throughout California decreased demand and excess supply caused fuel prices drop to the lowest point since 2005. Revenues from food-drug retailers remained strong as stores are responding to an unprecedented demand.

The business-industry sector faced a host of challenges including layoffs to reduce the spread of COVID-19, new safety measures to protect on-site workers, and reduced demand because of the slowed economy.

The City's share of the countywide pools increased 33.9% as consumers turn to online shopping and new retailers begin reporting tax as a result of the Wayfair decision.

Net of aberrations, taxable sales for all of Los Angeles County declined 22.7% over the comparable time period; the Southern California region was down 18.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abes Liquor Store	Coyote Joe's
Antonios Deli	Jordahl Construction
Antonios Pizzeria & Cabaret	Leos Catalina Drugstore
Avalon Fuel Dock	Lobster Trap
Bluewater Grill	Luau Larrys
Buoys & Gulls	Maggies Blue Rose
Carnival Cruise Lines	Original Jacks
Casino Ballroom	Pancake Cottage
Catalina Connect	Perfect Online Stores
Catalina Yamaha Golf Cars	Pic Nic Fry
Chets Hardware	Steves Steakhouse
Coney Island West	The Locker Room
	Vons

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$827,667	\$712,168
County Pool	121,772	146,365
State Pool	411	334
<b>Gross Receipts</b>	<b>\$949,850</b>	<b>\$858,868</b>
<b>Measure C</b>	<b>\$678,686</b>	<b>\$583,356</b>

**Statewide Results**

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

**SALES PER CAPITA\***



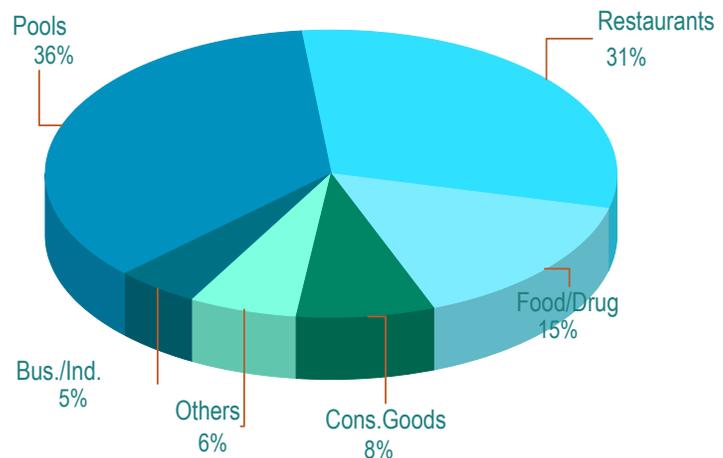
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**COUNTY OVERALL  
2Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-11.1%	-22.4%
Building and Construction	-5.2%	-4.9%
Business and Industry	-12.3%	-18.8%
Food and Drugs	-18.6%	7.6%
Fuel and Service Stations	-40.1%	-52.1%
General Consumer Goods	-29.9%	-43.7%
Restaurants and Hotels	-30.0%	-47.9%
County and State Pools	34.2%	31.2%
<b>Total</b>	<b>-12.1%</b>	<b>-22.7%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP  
Avalon This Quarter\***



\*Allocation aberrations have been adjusted to reflect sales activity