

Q1 2020



City of Pomona Sales Tax *Update*

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

Pomona In Brief

Pomona's receipts from January through March were 17.1% 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, receipts were up an estimated 0.3%.

A 32% surge in allocations from the countywide use tax pool was the primary factor in the overall improvement after a recent legislative change has allowed the State to collect tax revenue from small, third-party sellers on internet-based, market-platforms.

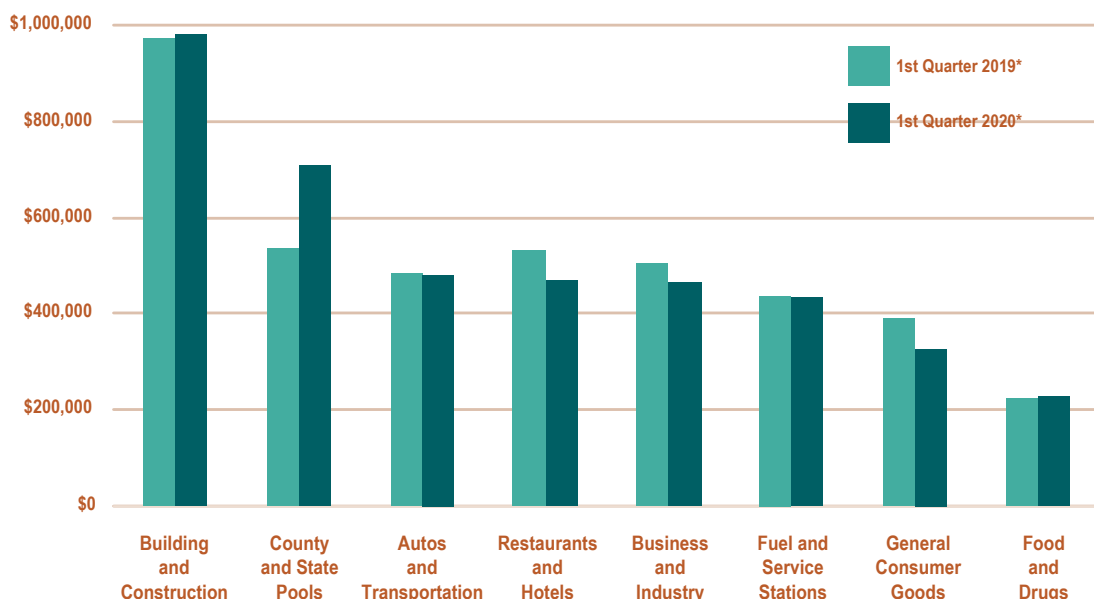
The sale of auto parts was also strong.

Conversely, casual dining restaurants were lower after the Governor's March 29 lock-down order shuttered dining rooms toward the tail-end of the quarter. Most general consumer goods outlets were also negatively impacted.

Measure PG, the City's three-quarter percent and transactions and use tax, raised an additional \$2,182,000, after adjusting for identified payment anomalies.

Net of aberrations, taxable sales for all of Los Angeles County declined 5.3% 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

American Furniture Manufacture	McDonald's
Arco AM PM	Mike Thompsons RVs
Chevron	Petrozone
dd's Discounts	Phenix Enterprises
Ferguson Enterprises	Plug In Auto
Food 4 Less	Pomona Kia
Giant RV	Rohr Steel
Global Rental Co	Ryder Vehicle Sales
HD Supply Home Improvement Solutions	Superior Duct Fabrication
Home Depot	Target
Hub Construction Specialties	USA Gas
Huntington Hardware	Walmart Supercenter
	Winco Foods 57

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$12,591,672	\$11,023,084
County Pool	1,803,107	2,162,691
State Pool	6,550	6,226
Gross Receipts	\$14,401,329	\$13,192,000
Measure PG	\$5,544	\$8,382,569

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.

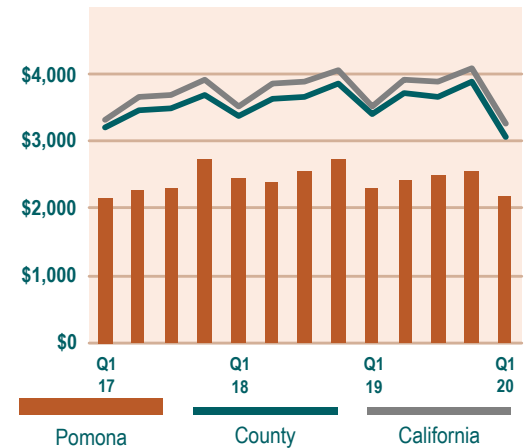
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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.

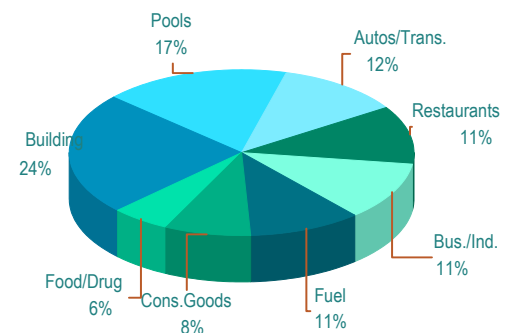
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP Pomona This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

POMONA TOP 15 BUSINESS TYPES**

*In thousands of dollars				
Business Type	Pomona Q1 '20*	Change	County Change	HdL State Change
Automotive Supply Stores	65.3	-10.0%	-12.3%	-9.5%
Building Materials	303.3	1.8%	1.4%	3.0%
Casual Dining	86.3	-30.0%	-19.4%	-18.8%
Contractors	186.6	2.1%	-3.3%	3.2%
Convenience Stores/Liquor	59.5	-7.7%	-6.5%	-4.4%
Discount Dept Stores	—	CONFIDENTIAL	3.0%	3.2%
Grocery Stores	134.8	7.9%	9.3%	11.8%
Light Industrial/Printers	123.7	1.6%	-8.3%	-4.9%
Plumbing/Electrical Supplies	—	CONFIDENTIAL	1.1%	1.5%
Quick-Service Restaurants	303.3	0.2%	-9.5%	-8.5%
Repair Shop/Equip. Rentals	—	CONFIDENTIAL	-4.1%	-0.3%
Service Stations	414.5	-0.3%	-10.3%	-9.5%
Trailers/Auto Parts	54.1	66.7%	17.5%	2.7%
Trailers/RVs	—	CONFIDENTIAL	2.0%	-5.9%
Used Automotive Dealers	135.5	-0.1%	-12.4%	-12.7%
Total All Accounts	3,387.8	-4.6%	-9.9%	-7.3%
County & State Pool Allocation	706.8	32.3%	25.6%	22.4%
Gross Receipts	4,094.6	0.3%	-5.3%	-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.