

# Q1 2020



# City of Pismo Beach Sales Tax *Update*

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

## Pismo Beach In Brief

Pismo Beach's receipts from January through March were 33.3% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 11.6%.

Deferred payments from businesses taking advantage of the state's 90-day filing extension and delayed allocations from some large businesses were the main causes of the variance between cash and actual sales. Actual sales in most industry groups declined due to Covid-19 impacts, although the losses were partially offset by continued strong growth from the county pool resulting from the Wayfair decision that required additional out of state companies to collect sales tax. The city's allocation from the countywide use tax pool increased 11.5%.

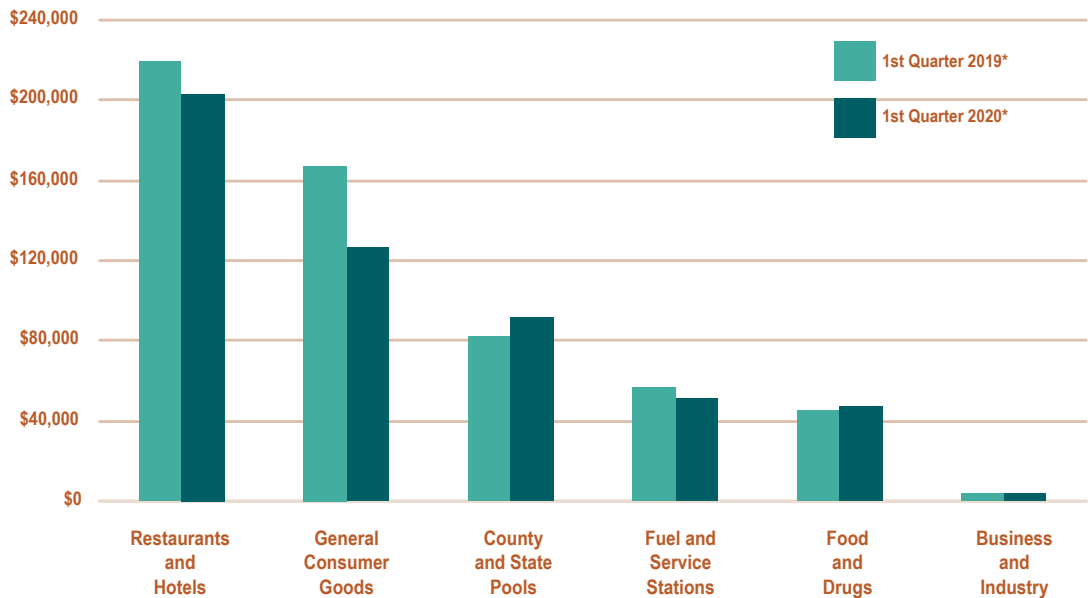
General retail sales dropped 24.5%, with apparel stores particularly hard hit. Restaurant sales were down 7.4%, while fuel sales were off 10.4%. The automotive group declined 4.6%.

Food and drugs sales were the lone bright spot, rising 3.5%.

The Measure I transaction tax generated an additional \$298,076, down 9.7% from prior year sales.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 1.2% over the comparable time period; the Central Coast region was down 2.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Nike
Big 5 Sporting Goods	Panchos Surf Shop
Brads Restaurant	Rite Aid
California Fresh Market	Ross
Chevron	Shell Beach Brewhouse
Cliffs at Shell Beach	Sky River RV
Coach	Splash Cafe
Cool Cat Cafe	Spyglass Shell
Cracked Crab	Vans
CVS Pharmacy	Ventana Grill
Giuseppes Cucina	Wooly's Oyster Loft
McDonalds	Yanagi Sushi & Grill
Miller 76	

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$2,116,978	\$1,751,270
County Pool	309,377	318,777
State Pool	1,102	934
<b>Gross Receipts</b>	<b>\$2,427,457</b>	<b>\$2,070,980</b>
Measure I	\$1,243,265	\$1,080,030

## 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.

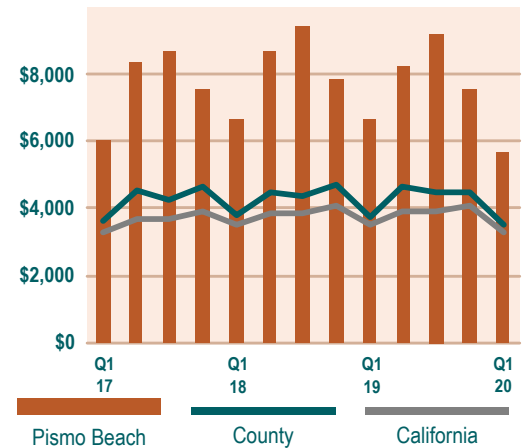
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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.

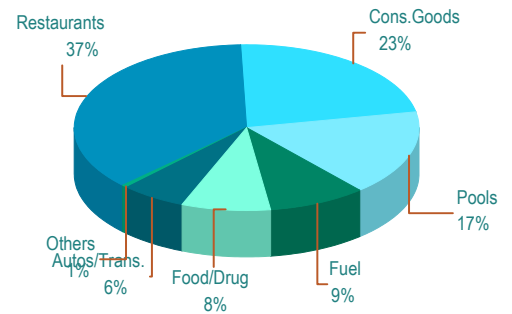
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

## SALES PER CAPITA\*



\*Allocation aberrations have been adjusted to reflect sales activity

## REVENUE BY BUSINESS GROUP Pismo Beach This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

## PISMO BEACH TOP 15 BUSINESS TYPES\*\*

Business Type	Pismo Beach		County	HdL State
	Q1 '20	Change	Change	Change
Casual Dining	123,774	-9.2%	-13.1%	-18.8%
Convenience Stores/Liquor	9,879	-7.3%	-2.0%	-4.4%
Drug Stores	— CONFIDENTIAL —	—	4.8%	3.4%
Family Apparel	50,445	-28.4%	-21.7%	-21.1%
Fast-Casual Restaurants	9,395	0.7%	-5.7%	-9.9%
Fine Dining	— CONFIDENTIAL —	—	-11.7%	-24.1%
Grocery Stores	— CONFIDENTIAL —	—	16.0%	11.8%
Hotels-Liquor	27,948	4.1%	-9.9%	-28.4%
Quick-Service Restaurants	28,357	-5.2%	-8.8%	-8.5%
Service Stations	50,799	-10.4%	-6.4%	-9.5%
Shoe Stores	27,950	-17.4%	-23.8%	-25.5%
Specialty Stores	8,943	-16.7%	-13.0%	-10.1%
Sporting Goods/Bike Stores	12,506	-3.5%	-5.4%	-10.3%
Trailers/RVs	— CONFIDENTIAL —	—	31.0%	-5.9%
Women's Apparel	16,700	-32.1%	-26.6%	-31.6%
<b>Total All Accounts</b>	<b>463,323</b>	<b>-15.0%</b>	<b>-5.3%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>91,689</b>	<b>11.4%</b>	<b>26.2%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>555,012</b>	<b>-11.6%</b>	<b>-1.2%</b>	<b>-3.0%</b>

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