

# Q2 2020



# Culver City Sales Tax *Update*

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

## Culver City In Brief

Culver City's receipts from April through June were 24.5% below the second sales period in 2019. However, deferred tax payments from last quarter temporarily exaggerated the cash results. Once these and other reporting aberrations are excluded, actual sales were down 32.4%.

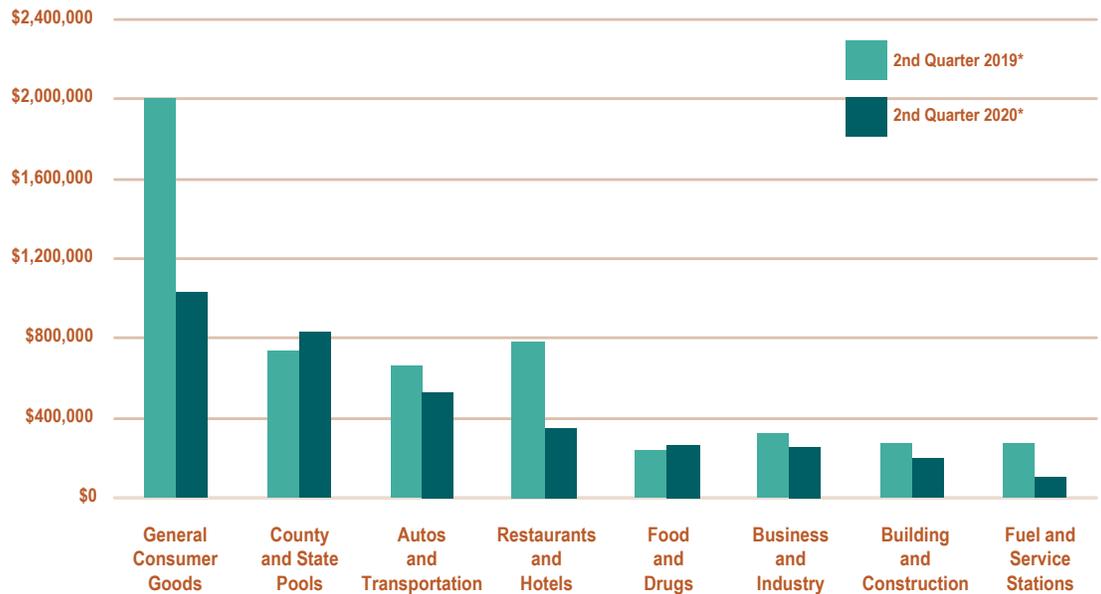
This quarter was dramatically impacted by the economic shutdown resulting from Covid-19 and the shelter-in-place directive. As expected, large general consumer retailers were temporarily closed and restaurants that usually depend on indoor services were also adversely affected.

Partially offsetting the declines were continued new tax revenue from out-of-state online retailers due to the enactment of AB147 combined with increased online sales due to the shutdown, which lifted countywide use tax pool allocations to the City by 12%.

Voter-approved Measure C and Y experienced a -29% and -30% decrease over last year due to the Covid-19 economic shutdown. New tax revenue from out-of-state online retailers from goods purchased by residents helped soften the drop.

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

Appliance Plumbing Design	Macys
Best Buy	Martin B Retting
Costco	Natals
Culver City Honda	Ralphs
Culver City Toyota	Rite Aid
Culver City Volvo	RM Sothebys
Frame Denim	Target
Honda Lease Trust	Toyota Lease Trust
Honor Roll Delivery	Trader Joes
Howard Industries	VCFS Auto Leasing
I Am Beyond	Vons
JP Morgan Chase Bank	Wheel World Cyclery
Juliens Auctions	

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$18,921,050	\$16,275,492
County Pool	2,811,742	3,444,979
State Pool	9,465	8,653
<b>Gross Receipts</b>	<b>\$21,742,256</b>	<b>\$19,729,124</b>
Measure Y	\$10,316,773	\$9,247,648
Measure C	\$1,151,423	\$4,579,781

## 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.

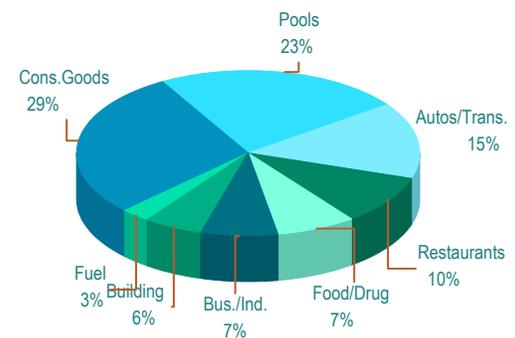
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected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

## SALES PER CAPITA\*



\*Allocation aberrations have been adjusted to reflect sales activity

## REVENUE BY BUSINESS GROUP Culver City This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

## CULVER CITY TOP 15 BUSINESS TYPES\*\*

Business Type	*In thousands of dollars			
	Culver City Q2 '20*	Change	County Change	HdL State Change
Auto Lease	121.1	0.6%	-11.9%	-9.2%
Building Materials	71.0	-22.0%	2.3%	7.0%
Casual Dining	149.0	-59.6%	-56.0%	-53.2%
Discount Dept Stores	— CONFIDENTIAL —		-11.7%	-6.3%
Electronics/Appliance Stores	86.8	-64.8%	-52.0%	-50.8%
Family Apparel	75.9	-61.1%	-67.2%	-66.3%
Fast-Casual Restaurants	78.6	-47.7%	-34.7%	-30.2%
Grocery Stores	156.4	6.1%	5.3%	7.8%
New Motor Vehicle Dealers	353.6	-22.1%	-19.6%	-15.8%
Plumbing/Electrical Supplies	80.2	-35.1%	-15.7%	-15.8%
Quick-Service Restaurants	104.8	-38.4%	-26.2%	-22.0%
Service Stations	99.7	-63.0%	-50.1%	-45.2%
Shoe Stores	45.9	-61.8%	-55.3%	-59.2%
Specialty Stores	110.4	-43.1%	-38.0%	-36.2%
Sporting Goods/Bike Stores	49.2	22.0%	-15.6%	-11.0%
<b>Total All Accounts</b>	<b>2,740.1</b>	<b>-39.7%</b>	<b>-31.2%</b>	<b>-24.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>833.0</b>	<b>12.7%</b>	<b>31.2%</b>	<b>28.9%</b>
<b>Gross Receipts</b>	<b>3,573.1</b>	<b>-32.4%</b>	<b>-22.7%</b>	<b>-16.3%</b>

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