

# Q1 2020



# City of Elk Grove Sales Tax Update

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

## Elk Grove In Brief

Elk Grove's receipts from January through March were 11.6% below the first sales period in 2019. Excluding reporting anomalies, actual sales rose 1.6%. Cash declined as eligible companies took advantage of the extra 90 days to file tax returns under the Governor's recent Executive Order.

The strongest major category was the countywide pool, which grew 29%. These receipts have been boosted by a legislative change that allows the State to collect tax revenue from third-party sellers on internet-based, market-platforms.

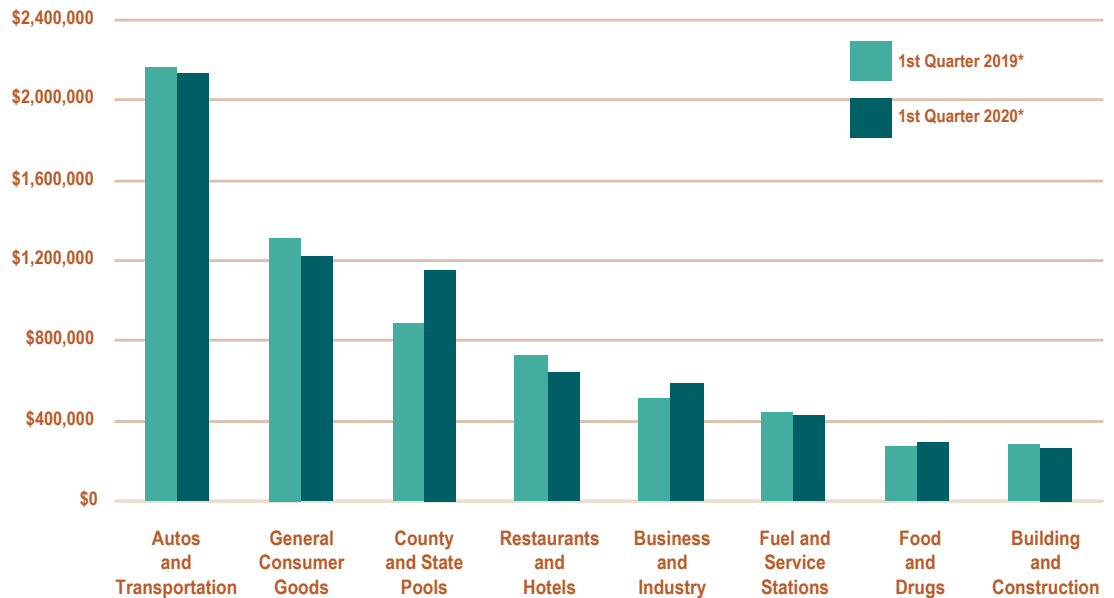
Some activity remained positive as business/industry recorded growth within larger sectors of this group. Aided by grocers that remained operational all quarter, food/drug stores had larger remittances.

COVID-19 pushed sales across restaurants and general consumer goods downward. Shelter in place restrictions placed on the dining trade triggered reductions by casual dining, quick-service, and fast casual eateries.

Fuel consumption slowed, thus, services station's returns fell. New vehicle dealers moved fewer cars and trucks off their lots.

Net of aberrations, taxable sales for all of Sacramento County declined 1.4% over the comparable time period; the Sacramento region was down 1.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Grantline Arco
Arco AM PM	Home Depot
Bel Air Market	Infiniti of Elk Grove
Best Buy	Kohls
Costco	Laguna 76
EG Dodge/Jeep/Chry/Audi/VW/Subaru	Lakeside AM PM
Elk Grove Acura	Maita Chevrolet
Elk Grove Buick GMC	Niello BMW
Elk Grove Ford	Nissan/Mazda of Elk Grove
Elk Grove Honda	Sheldon Road Chevrolet
Elk Grove Toyota	Target
Enterprise Rent A Car	Walgreens
	Walmart

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$19,128,879	\$18,534,231
County Pool	2,898,592	3,743,182
State Pool	10,012	10,495
<b>Gross Receipts</b>	<b>\$22,037,483</b>	<b>\$22,287,908</b>

**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.

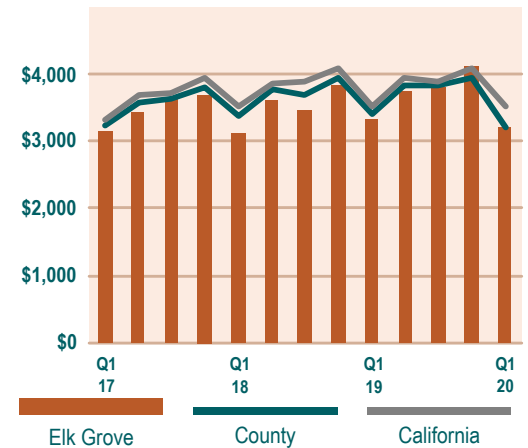
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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.

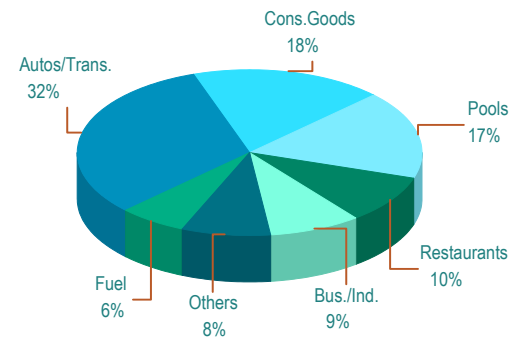
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP**  
Elk Grove This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**ELK GROVE TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Elk Grove Q1 '20*	Change	County Change	HdL State Change
Auto Lease	89.5	-4.7%	3.1%	1.6%
Building Materials	— CONFIDENTIAL —	—	6.6%	3.0%
Casual Dining	315.0	-16.4%	-18.9%	-18.8%
Discount Dept Stores	— CONFIDENTIAL —	—	4.5%	3.2%
Electronics/Appliance Stores	148.3	-24.1%	-19.4%	-18.0%
Family Apparel	98.0	-18.0%	-21.0%	-21.1%
Fast-Casual Restaurants	70.6	-6.5%	-9.7%	-9.9%
Fulfillment Centers	— CONFIDENTIAL —	—	5.9%	56.4%
Grocery Stores	168.6	12.5%	11.8%	11.8%
Home Furnishings	67.8	-22.5%	-14.1%	-13.0%
New Motor Vehicle Dealers	1,790.9	-3.2%	-9.8%	-10.6%
Quick-Service Restaurants	240.7	-5.5%	-10.0%	-8.5%
Service Stations	425.3	-3.7%	-7.9%	-9.5%
Specialty Stores	107.9	-7.7%	-6.5%	-10.1%
Transportation/Rentals	— CONFIDENTIAL —	—	-4.4%	-11.7%
<b>Total All Accounts</b>	<b>5,557.8</b>	<b>-2.8%</b>	<b>-4.9%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,148.7</b>	<b>29.4%</b>	<b>19.2%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>6,706.6</b>	<b>1.6%</b>	<b>-1.4%</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.