

Q4 2019



South Lake Tahoe Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

South Lake Tahoe In Brief

South Lake Tahoe's receipts from October through December were 20.7% below the fourth sales period in 2018. Excluding reporting aberrations, actual sales were down 5.4%.

The full implementation of AB 147 (Wayfair- Marketplace Facilitators) boosted the City's allocation from the countywide use tax pool by 31.9%. This good news mitigated some of the declines from point of sale for the quarter and lessened the overall negative results for the quarter.

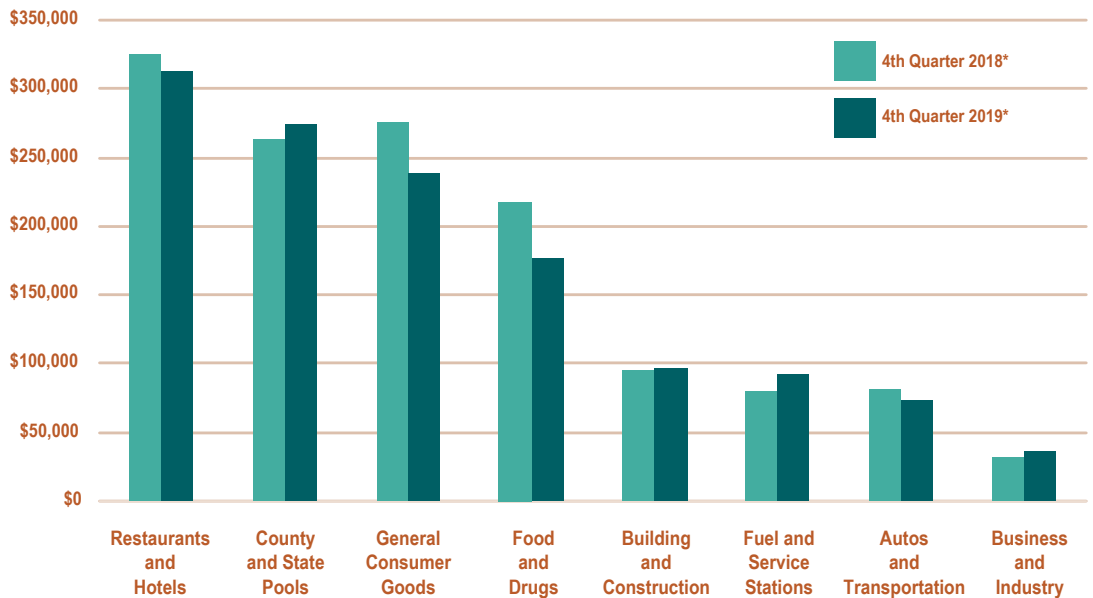
Slowing sales and one time spikes in the comparable quarter caused declines in the general consumer goods group; while reporting errors and ownership changes are the reason for restaurant-hotel decreases.

A taxpayer altered reporting methods back in the first quarter of 2019; the impact is reflected in the sizeable service stations growth with an offsetting decline from grocery stores.

The voter-approved district tax, Measure Q, generated \$737,881; a previous quarter misallocation was corrected causing a decline in the pool allocation; declines were lessened by new revenues generated as a result of AB 147.

Net of aberrations, taxable sales for all of El Dorado County grew 6.6% over the comparable time period; the Sacramento region was up 3.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Aisle 1	Meeks Building Center
Azul Latin Kitchen	Powder House
Base Camp Pizza Co	Raley's
BevMo	Riva Grill on the Lake
California Burger	Ross
CVS Pharmacy	Safeway
Do it Yourself Home Center	Safeway Fuel
Grocery Outlet	Sports
Heavenly Sports	Tahoe Asphalt
Jim Bagan Toyota	Tahoe Wellness
KB Chevron	TJ Maxx
Kmart	Up Shirt Creek
McDonalds	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q4)

	2018-19	2019-20
Point-of-Sale	\$1,092,093	\$768,942
County Pool	224,885	275,568
State Pool	559	436
Gross Receipts	\$1,317,537	\$1,044,945
Measure Q	\$740,602	\$781,226

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

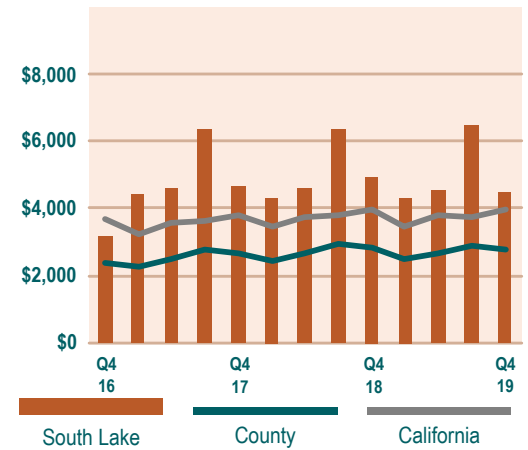
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

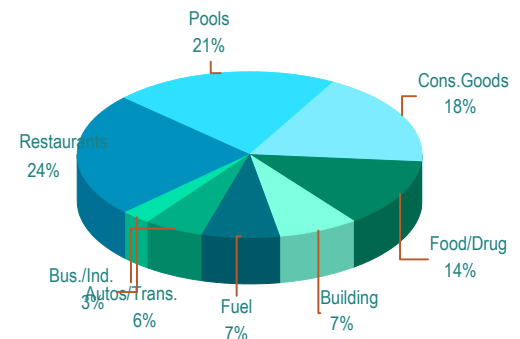
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP South Lake Tahoe This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

SOUTH LAKE TAHOE TOP 15 BUSINESS TYPES**

Business Type	South Lake Tahoe		County	HdL State
	Q4 '19*	Change	Change	Change
Automotive Supply Stores	23.2	2.2%	11.8%	0.6%
Building Materials	41.5	-5.1%	2.8%	1.4%
Cannabis Related	— CONFIDENTIAL —		52.8%	28.0%
Casual Dining	217.4	-7.3%	-3.1%	3.8%
Contractors	32.0	4.2%	-16.4%	-4.5%
Convenience Stores/Liquor	29.0	-0.8%	-3.6%	-0.3%
Drug Stores	— CONFIDENTIAL —		0.1%	-0.7%
Family Apparel	74.9	0.7%	1.5%	1.3%
Fast-Casual Restaurants	19.4	56.0%	33.6%	4.4%
Grocery Stores	103.7	-35.6%	-11.1%	1.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-6.4%	-3.4%
Quick-Service Restaurants	42.9	-6.9%	-0.7%	1.9%
Service Stations	88.8	16.2%	14.2%	0.2%
Specialty Stores	22.0	-9.7%	-21.5%	-3.8%
Sporting Goods/Bike Stores	67.4	-8.5%	-1.3%	-3.0%
Total All Accounts	1,025.6	-7.6%	-1.3%	0.2%
County & State Pool Allocation	273.7	4.1%	38.8%	26.7%
Gross Receipts	1,299.4	-5.4%	6.6%	4.2%

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