

# Q1 2020



# South Lake Tahoe Sales Tax *Update*

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

## South Lake Tahoe In Brief

South Lake Tahoe's receipts from January through March were 33.0% below the first sales period in 2019; much of this decline was caused by some companies were permitted an extra 90-days to file tax returns under the governor's recent Executive Order. Excluding reporting aberrations, actual sales were down 11.9%.

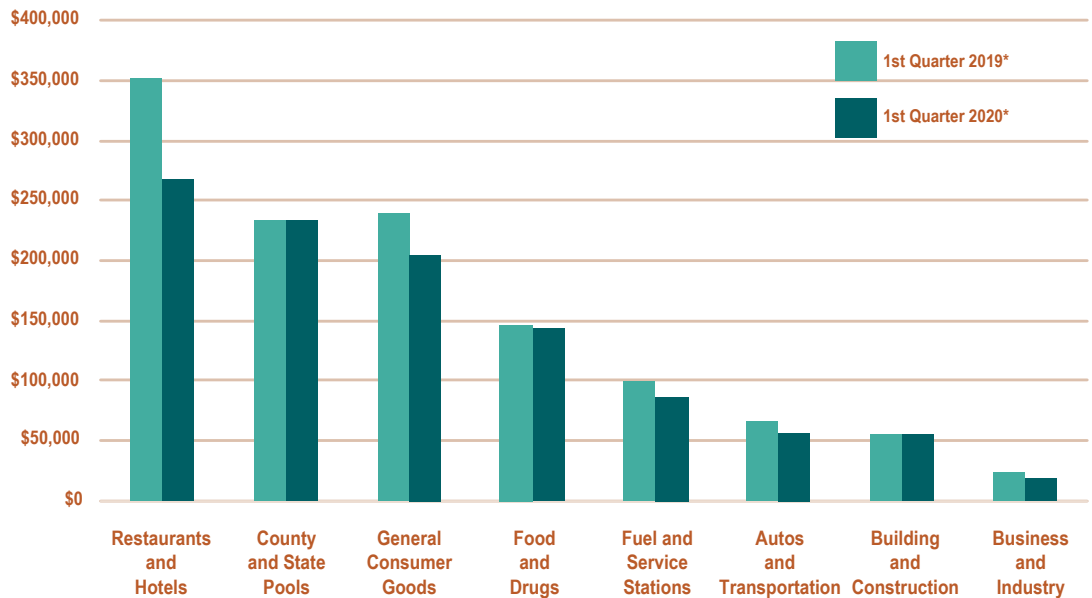
County officials declared a SIP in mid-March; numerous businesses closed and consequences were significant. Casual dining saw decreases of 29% while quick-service restaurants dropped 26%. Sporting goods stores dropped 14% and service stations declined 12%.

The City's allocation from the countywide pool only grew 0.2% due to the substantial drop in point of sale.

Local district tax, Measure Q, generated \$508,005, down 18.7% from the comparable quarter.

Net of aberrations, taxable sales for all of El Dorado County declined 2.1% 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

Aisle 1	Powder House
Azul Latin Kitchen	Raley's
Base Camp Pizza Co	Rite Aid
CVS Pharmacy	Riva Grill on the Lake
Do it Yourself Home Center	Ross
Fire Ice Grill & Bar	Safeway
Grocery Outlet	Safeway Fuel
Heavenly Sports	Smart & Final
Izzys Burger Spa	Sports Ltd
Jim Bagan Toyota	Tahoe Valley Electric Supply
KB Chevron	TJ Maxx
McDonalds	Up Shirt Creek
Meeks Building Center	

## REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q4 to Q1)

	2018-19	2019-20
Point-of-Sale	\$2,096,959	\$1,403,618
County Pool	482,336	486,187
State Pool	1,181	1,049
<b>Gross Receipts</b>	<b>\$2,580,475</b>	<b>\$1,890,855</b>
<b>Measure Q</b>	<b>\$1,388,423</b>	<b>\$1,250,431</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.

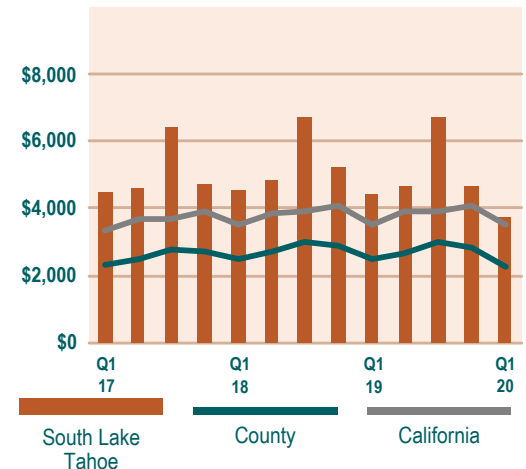
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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.

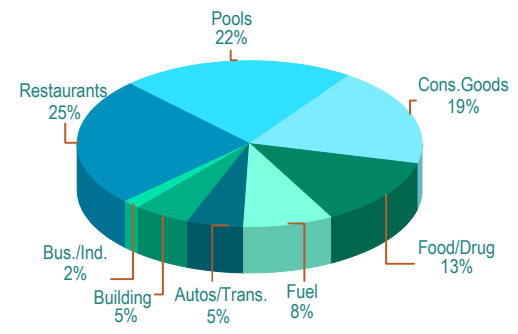
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

## SALES PER CAPITA\*



\*Allocation aberrations have been adjusted to reflect sales activity

## REVENUE BY BUSINESS GROUP 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
	Q1 '20	Change	Change	Change
Automotive Supply Stores	16,850	-27.1%	-2.9%	-9.5%
Building Materials	24,065	-17.1%	3.0%	3.0%
Casual Dining	182,422	-29.0%	-25.3%	-18.8%
Convenience Stores/Liquor	23,283	-13.5%	-3.1%	-4.4%
Drug Stores	—	CONFIDENTIAL	1.5%	3.4%
Family Apparel	50,667	-6.7%	-12.9%	-21.1%
Fast-Casual Restaurants	17,201	47.1%	24.1%	-10.0%
Grocery Stores	92,452	1.3%	10.3%	11.8%
Hotels-Liquor	14,235	-10.1%	-15.4%	-28.4%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-2.6%	-10.6%
Plumbing/Electrical Supplies	—	CONFIDENTIAL	18.6%	1.5%
Quick-Service Restaurants	33,042	-26.2%	-18.0%	-8.5%
Service Stations	84,033	-12.4%	-8.7%	-9.5%
Specialty Stores	18,464	-11.6%	-12.9%	-10.1%
Sporting Goods/Bike Stores	92,273	-14.3%	-15.2%	-10.3%
<b>Total All Accounts</b>	<b>834,594</b>	<b>-14.8%</b>	<b>-8.0%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>232,891</b>	<b>0.2%</b>	<b>22.8%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>1,067,485</b>	<b>-11.9%</b>	<b>-2.1%</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.