

Q1
2020



City of Pasadena Sales Tax Update

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

Pasadena In Brief

Pasadena's receipts from January through March were 31.2% below the first sales period in 2019 but this decline was magnified by the Governor's recent Executive Order allowing some businesses an extra 90-days to file their tax return. Actual sales were down 10.3%.

Receipts from casual dining restaurants were down 18%, slightly better than the -19% statewide trend, as the Governor's March 19 lockdown closed restaurant dining rooms at the tail-end of the quarter. Department stores and electronic-appliance retailers were also particularly hard hit by the shelter in place order.

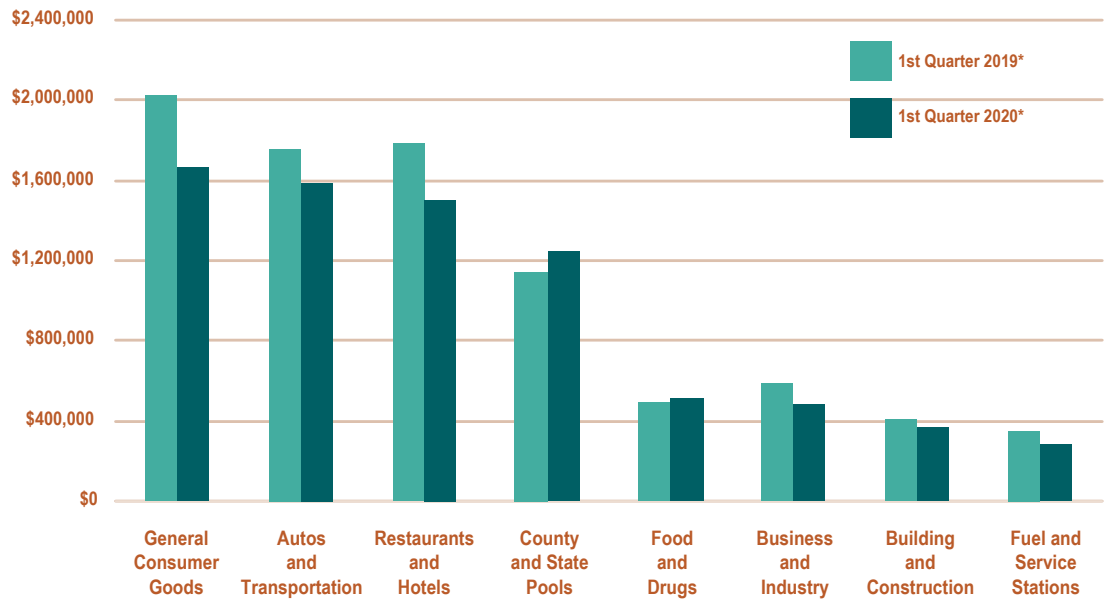
New car sales were down 12% as consumers shied away from major purchases amidst the uncertainty, while fuel sales were impacted by the dramatic drop in daily commuting.

Helping to partially offset these declines, however, was a 10% surge in receipts from the countywide use tax pool. This revenue was boosted by a recent legislative change that allows the taxation of additional internet sales that had previously gone untaxed.

Measure I, the City's local tax, added an additional \$4,445,926 to the amounts previously discussed.

Net of aberrations, taxable sales for all of Los Angeles County declined 5.3% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS IN ALPHABETICAL ORDER

- Apple
- Audi & Bentley Leasing
- Avon Distribution Center
- Best Buy
- Enterprise Rent A Car
- Ganahl Lumber
- Hertz Rent A Car
- Honda of Pasadena
- JP Morgan Chase Bank
- Langham Huntington Hotel & Spa
- Macys
- Marshalls
- Nordstrom Rack
- Porsche Leasing
- Ralphs
- Ralphs Fresh Fare
- Ross
- Rusnak Luxury Autos
- Symes Cadillac/Land Rover
- Target
- Tesla Motors
- Thorson GMC Buick
- Toyota of Pasadena
- Vons
- Whole Foods Market

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$26,396,499	\$21,222,772
County Pool	3,789,167	4,150,793
State Pool	13,719	11,845
Gross Receipts	\$30,199,385	\$25,385,410
Measure I	\$9,145	\$18,221,944

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.

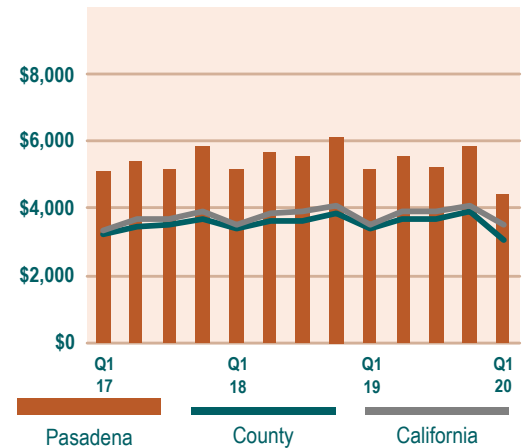
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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.

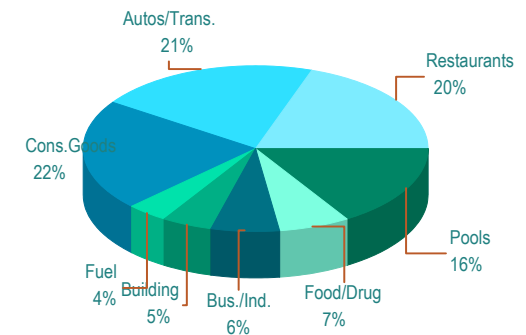
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Pasadena This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

PASADENA TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Pasadena Q1 '20*	Change	County Change	HdL State Change
Auto Lease	279.3	-1.9%	-2.9%	1.6%
Building Materials	196.3	-3.0%	1.4%	2.9%
Casual Dining	645.1	-17.6%	-19.4%	-19.2%
Discount Dept Stores	— CONFIDENTIAL —		3.0%	3.2%
Electronics/Appliance Stores	321.1	-17.3%	-17.7%	-18.3%
Family Apparel	197.9	-21.7%	-22.6%	-21.8%
Fast-Casual Restaurants	142.1	-21.6%	-10.5%	-10.1%
Fine Dining	181.5	-16.3%	-24.8%	-24.4%
Grocery Stores	330.2	7.8%	9.3%	11.7%
Home Furnishings	183.6	-19.2%	-13.1%	-13.4%
New Motor Vehicle Dealers	1,000.1	-11.7%	-11.1%	-10.9%
Plumbing/Electrical Supplies	125.7	-15.2%	1.1%	1.3%
Quick-Service Restaurants	316.9	-13.4%	-9.5%	-8.7%
Service Stations	286.3	-18.1%	-10.3%	-9.9%
Specialty Stores	168.3	-7.6%	-10.1%	-10.3%
Total All Accounts	6,412.4	-13.4%	-9.9%	-7.5%
County & State Pool Allocation	1,250.4	9.8%	25.6%	22.4%
Gross Receipts	7,662.8	-10.3%	-5.3%	-3.3%

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