

Q1 2020



City of Tustin Sales Tax Update

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

Tustin In Brief

Tustin's receipts from January through March were 20.2% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 5.7%.

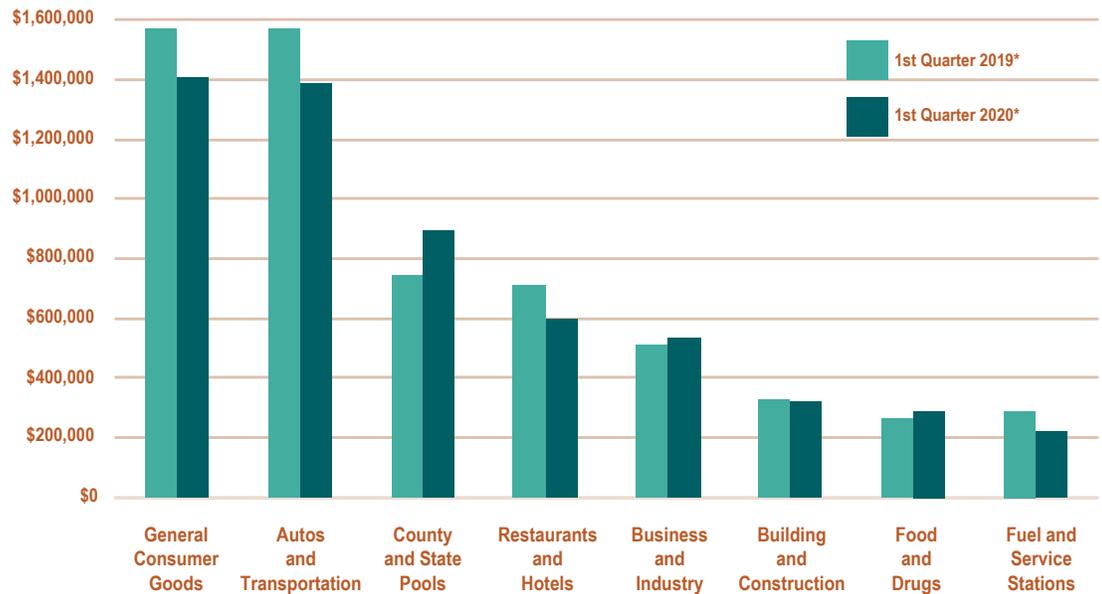
COVID-19 pushed sales down in most major industry groups with autos and transportation taking the biggest hit. With many dealerships being at least partially closed the latter part of the quarter, new motor vehicles, auto leases, and auto repair shop returns reflected the negative impact.

General consumer goods returns were lower than one year ago in almost every business type including home furnishings, sporting goods/bike stores, family apparel, and electronic/appliance and specialty stores. As expected, the shelter in place restrictions placed on the dining and hotel industry, significantly pushed every type of restaurant sales down, and fuel consumption was ground to a halt.

Positive results were realized from building materials and office equipment receipts, and the countywide use tax pool returns helped to offset the overall losses.

Net of aberrations, taxable sales for all of Orange County declined 4.4% 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

AutoNation Ford	TJ Maxx
AutoNation Infiniti	Toshiba America Medical System
Best Buy	Total Wine & More
Costco	Toyota Lease Trust
Home Depot	Tustin Acura
Jewelry Exchange	Tustin Buick GMC
Lowe's	Tustin Cadillac
Micro Center	Tustin Chrysler Jeep Dodge
Nissan Infiniti	Tustin Hyundai/Mazda
Nissan of Tustin	Tustin Lexus
Nordstrom Rack	Tustin Toyota & Tustin Scion
REI	
Shell	
Target	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$17,928,719	\$16,128,987
County Pool	2,487,554	2,948,476
State Pool	9,282	8,978
Gross Receipts	\$20,425,554	\$19,086,441

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.

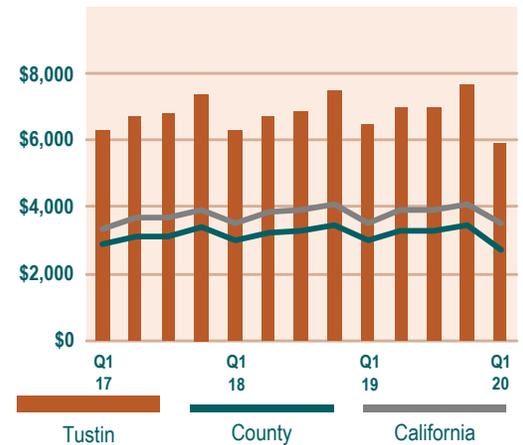
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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.

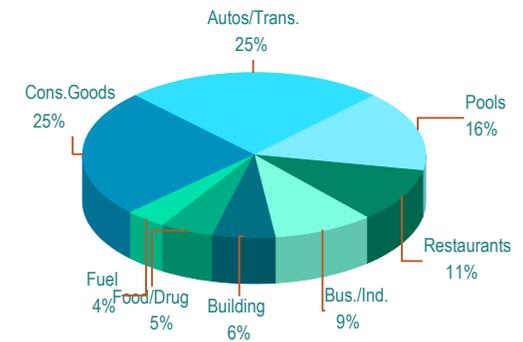
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Tustin This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

TUSTIN TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Tustin Q1 '20*	Change	County Change	HdL State Change
Auto Lease	250.9	-1.9%	-2.3%	1.6%
Building Materials	250.7	2.5%	-1.4%	3.0%
Casual Dining	290.8	-22.8%	-18.8%	-18.8%
Convenience Stores/Liquor	80.1	-0.7%	-7.1%	-4.3%
Discount Dept Stores	—	CONFIDENTIAL	3.3%	3.2%
Electronics/Appliance Stores	111.2	-15.8%	-13.6%	-18.0%
Family Apparel	154.0	-15.6%	-15.6%	-21.1%
Grocery Stores	156.4	13.4%	11.7%	11.8%
Medical/Biotech	80.9	-17.5%	-5.5%	-1.8%
New Motor Vehicle Dealers	1,021.1	-13.9%	-13.0%	-10.6%
Office Supplies/Furniture	—	CONFIDENTIAL	-15.0%	-9.7%
Quick-Service Restaurants	219.1	-6.3%	-5.6%	-8.5%
Service Stations	213.6	-24.6%	-12.4%	-9.5%
Specialty Stores	111.4	-9.1%	-13.0%	-10.1%
Sporting Goods/Bike Stores	88.9	-29.1%	-18.3%	-10.3%
Total All Accounts	4,747.5	-9.3%	-9.9%	-7.3%
County & State Pool Allocation	892.1	20.2%	21.5%	22.4%
Gross Receipts	5,639.6	-5.7%	-4.4%	-3.0%

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