

# Q1 2020



# City of Monrovia Sales Tax *Update*

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

## Monrovia In Brief

Monrovia's receipts from January through March were 11.9% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 0.2%.

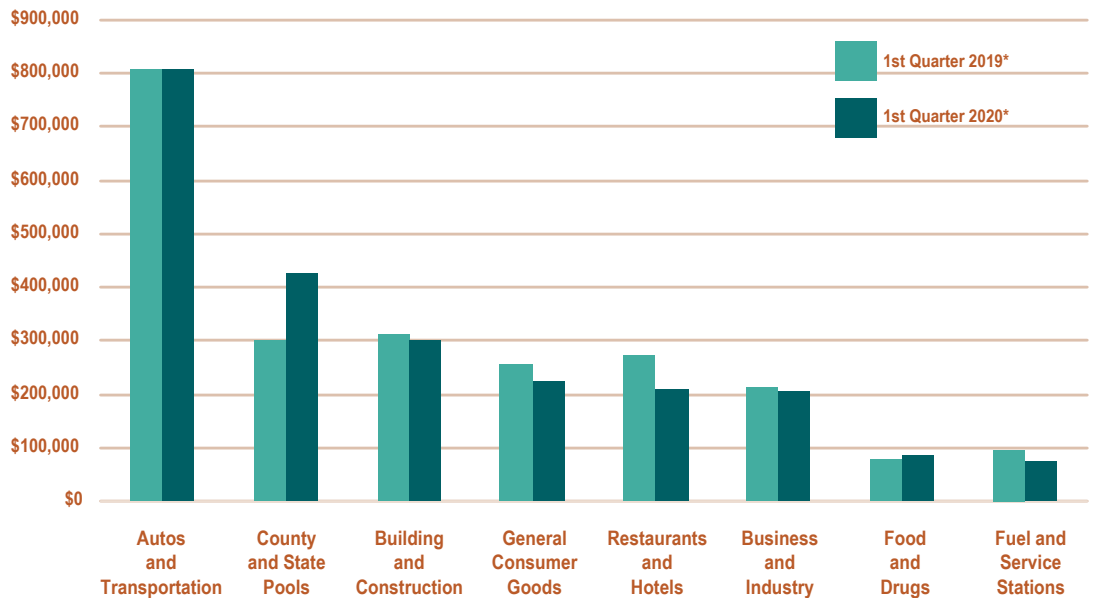
COVID-19 pushed sales down in most major industry groups with the restaurants and hotel industry leading the pack. Shelter in place restrictions placed on the dining and hotel industry, significantly pushed every type of restaurant sales down, including casual dining, quick-service, and fast casual. Fuel consumption was ground to a halt.

With stores shutting their doors, the City experienced negative returns in family apparel and home furnishings. Revenue generated from building materials and business and industry was also down due to a slowdown in building and consumer activity.

Positive offsets to the quarterly loss were realized from ongoing strong growth in the countywide use tax allocation, gains from business services and new motor vehicle dealers, and a boost in grocery store receipts resulting from customers staying home.

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

76	Living Spaces Furniture
ABC Supply Co	Marshalls
BMW & Mini of Monrovia	Metro Infiniti
Bodyworks Equipment	Monrovia Chrysler Dodge Jeep Ram
California Theaming Chevron	Myrtle Chevron
Elite Construction Equipment	Nissan Infiniti
Financial Services Vehicle Trust	Petsmart
Home Depot	Ross
Honda Lease Trust	Sierra Commercial Trucks
Interior Services	Sierra Honda Chevrolet
Kohls	TJ Maxx
	Unitek Miyachi
	Vons

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$7,009,843	\$6,298,622
County Pool	1,005,006	1,240,927
State Pool	3,646	3,595
<b>Gross Receipts</b>	<b>\$8,018,496</b>	<b>\$7,543,144</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.

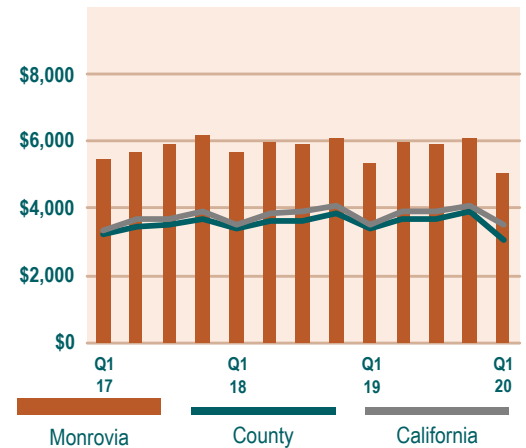
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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.

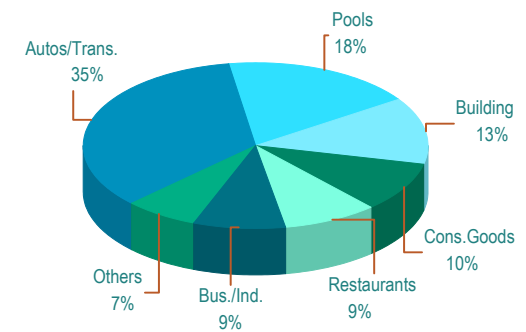
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP  
Monrovia This Quarter\***



\*Allocation aberrations have been adjusted to reflect sales activity

**MONROVIA TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Monrovia Q1 '20*	Monrovia Change	County Change	HdL State Change
Auto Lease	194.8	3.5%	-2.9%	1.6%
Auto Repair Shops	28.0	-10.0%	-10.7%	-7.5%
Building Materials	— CONFIDENTIAL —		1.4%	3.0%
Business Services	33.3	40.7%	-13.0%	-13.7%
Casual Dining	95.4	-30.0%	-19.4%	-18.8%
Family Apparel	66.6	-14.6%	-22.6%	-21.1%
Fast-Casual Restaurants	25.1	-19.2%	-10.5%	-9.9%
Grocery Stores	57.3	16.0%	9.3%	11.8%
Heavy Industrial	— CONFIDENTIAL —		-7.4%	-6.3%
Home Furnishings	61.9	-6.4%	-13.1%	-13.0%
Light Industrial/Printers	39.4	0.1%	-8.3%	-5.0%
New Motor Vehicle Dealers	566.6	0.9%	-11.1%	-10.6%
Quick-Service Restaurants	76.3	-16.9%	-9.5%	-8.5%
Service Stations	74.5	-22.3%	-10.3%	-9.5%
Specialty Stores	35.1	-3.6%	-10.1%	-10.1%
<b>Total All Accounts</b>	<b>1,910.8</b>	<b>-6.2%</b>	<b>-9.9%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>425.2</b>	<b>40.6%</b>	<b>25.6%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>2,336.0</b>	<b>-0.2%</b>	<b>-5.3%</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.