

Q4 2019



City of Buellton Sales Tax *Update*

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

Buellton In Brief

Buellton's receipts from October through December were 9.2% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 10.6%.

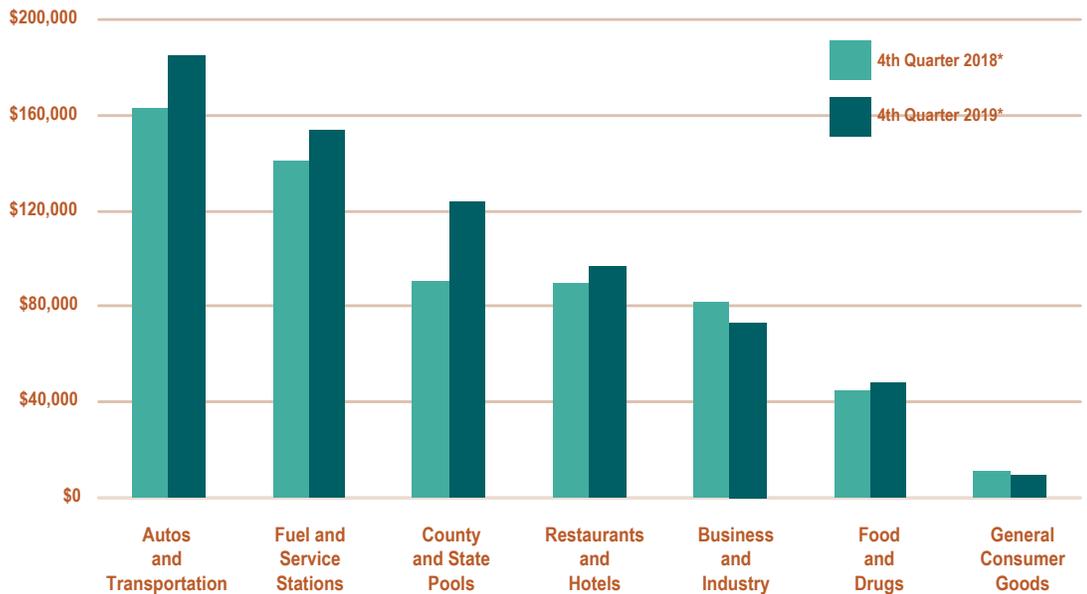
The increase in actual sales came largely from a 36.8% increase in the City's allocation from the county-wide use tax pool that was boosted by sharply higher receipts from on-line shopping as a result of the Wayfair decision and implementation of the marketplace facilitator provision that required additional out of state companies to collect sales tax.

The City's point of sale actual results were up 6.4%. The automotive sector posted a 13.2% gain, while retail gas sales from service stations were up 8.9%. Solid growth across all dining categories lifted restaurants and hotels 8.0%. Food and drugs and building and construction increased 6.8% and 6.7%, respectively.

The gains were partially offset by a 48.4% drop in winery sales due to operational changes by certain vendors and a 14.1% decline in retail sales.

Net aberrations, taxable sales for all of Santa Barbara County grew 4.7% over the comparable time period; the Central Coast region was up 0.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Airstream of Santa Barbara by Sky River	McDonalds
Albertsons	Platinum Performance
Andersons Pea Soup	Platinum Performance Vet
Buellton Shell	Rio Vista Chevrolet
Buelton Mobil	Santa Ynez Valley Marriott
Chevron	Taproom & Barrelworks
Conserv Fuel	The Hitching Post II
CVS Pharmacy	Todd Pipe & Supply
Eagle Energy 76	Toms Gas & Market
Farm Supply	Tractor Supply
Habit Burger Grill	USA Station
Industrial Eats	Wonderful Wine Co
Jim Vreeland Ford	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$1,267,103	\$1,158,674
County Pool	206,402	233,657
State Pool	648	530
Gross Receipts	\$1,474,153	\$1,392,860

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*



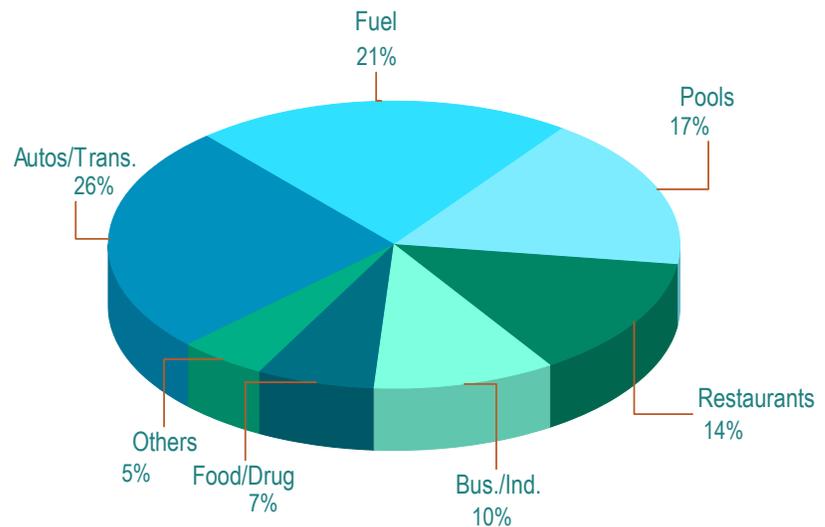
*Allocation aberrations have been adjusted to reflect sales activity

**COUNTY OVERALL
4Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	3.7%	-0.8%
Building and Construction	-1.4%	1.8%
Business and Industry	0.8%	0.6%
Food and Drugs	8.5%	1.9%
Fuel and Service Stations	-0.3%	-0.3%
General Consumer Goods	-0.7%	-0.3%
Restaurants and Hotels	3.5%	2.0%
County and State Pools	45.5%	34.5%
Total	7.4%	4.7%

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Buellton This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity