

Q1 2020



City of Buellton Sales Tax *Update*

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

Buellton In Brief

Buellton's receipts from January through March were 36.4% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 7.1%.

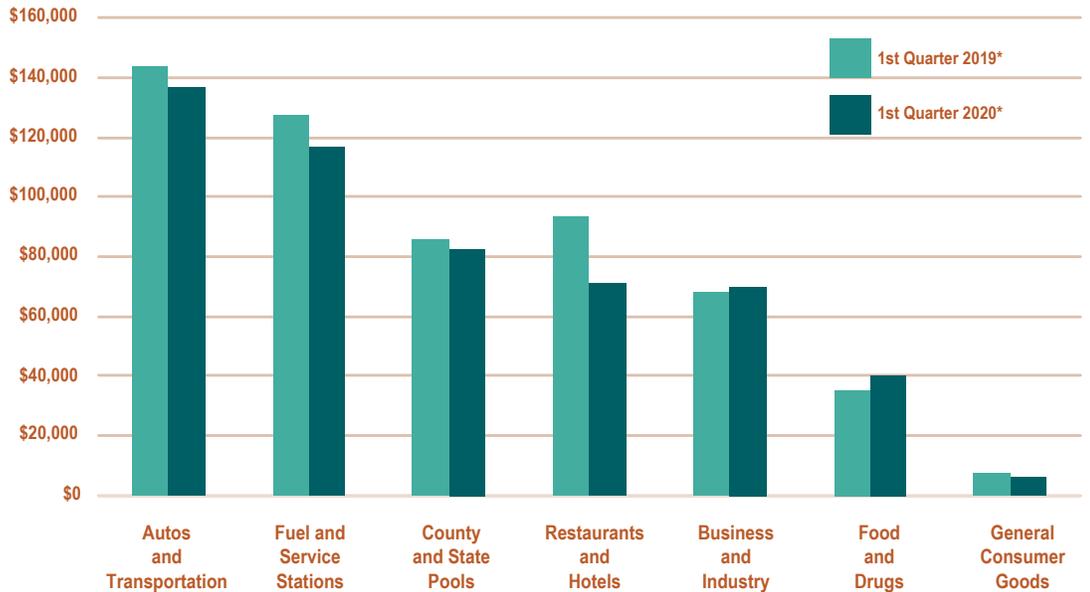
Deferred payments from businesses taking advantage of the State's 90-day filing extension and delayed allocations from some large businesses were the main causes of the variance between cash and actual sales. Actual sales in most industry groups declined due to Covid-19 impacts, and despite continued strong growth from the county pool resulting from the Wayfair decision that required additional out of state companies to collect sales tax, the City's allocation from the county-wide use tax pool decreased 3.7%.

Restaurant actual sales suffered the biggest hit, down 24.0%. The automotive sector, the City's largest business group, declined 4.6%. Fuel sales were off 8.2% consistent with state and county trends. A sharp decline in contractors' supply sales depressed building and construction 20.8%.

Food and drugs gained 14.4% as most stores were allowed to remain open. Business and industry sales were up 2.2%.

Net of aberrations, taxable sales for all of Santa Barbara County declined 3.0% over the comparable time period; the Central Coast region was down 2.7%.

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	Industrial Eats
AJ's Spurs Saloon & Dining Hall	Jim Vreeland Ford
Albertsons	McDonalds
Andersons Pea Soup	O'Reilly Auto Parts
Buellton Shell	Platinum Performance Vet
Buelton Mobil	Rio Vista Chevrolet
Coast Auto Sales	Santa Ynez Valley Marriott
Conserv Fuel	Taproom & Barrelworks
CVS Pharmacy	Todd Pipe & Supply
Eagle Energy 76	Toms Gas & Market
Farm Supply	Tractor Supply
Habit Burger Grill	USA Station
	Wonderful Wine Co

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$1,809,426	\$1,481,787
County Pool	298,506	313,981
State Pool	961	823
Gross Receipts	\$2,108,892	\$1,796,590

NOTES

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.

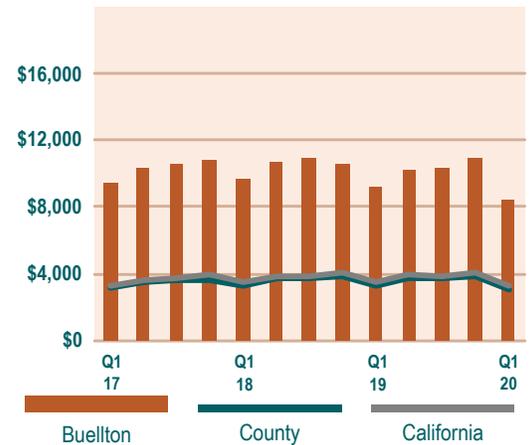
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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*



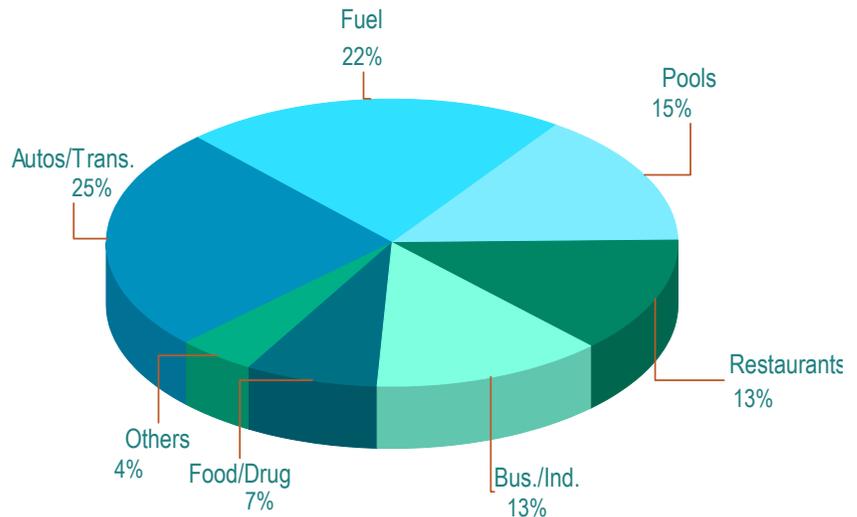
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**COUNTY OVERALL
1Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-30.7%	-11.2%
Building and Construction	2.6%	3.5%
Business and Industry	-12.2%	-4.0%
Food and Drugs	-10.2%	6.1%
Fuel and Service Stations	-26.6%	-7.6%
General Consumer Goods	-24.0%	-8.0%
Restaurants and Hotels	-42.6%	-14.7%
County and State Pools	11.2%	22.8%
Total	-18.9%	-3.0%

*Accounting anomalies factored out

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



*Allocation aberrations have been adjusted to reflect sales activity