Wasco In Brief

Wasco’s receipts from April through June were 3.0% above the second sales period in 2019 as prior period payments were collected. Excluding the late payments and other reporting adjustments, actual receipts for the period were down 8.5%.

The restraints on residents’ ability to move about caused by the shelter in place orders had an effect on buying habits for everyone this period but did not create as large a decline as had been feared. In fact, much of this period’s activity was positive with the exception of fuel sales and a small reduction in restaurant traffic. The largest negative impact for this period came from a group of larger than normal transactions in the prior year that were not matched by similar activity this quarter.

Measure X brought in $668,491 this period. While vehicle purchases and online sales were strong this quarter, overall purchasing activity was nearly 11% below that of the same period last year.

Net of adjustments, taxable sales for all of Kern County declined 10.8% over the comparable time period while those of the entire San Joaquin Valley were down 1.7%.

Sales Tax by Major Business Group

Revenue Comparison

<table>
<thead>
<tr>
<th>Measure</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$1,498,178</td>
<td>$1,299,654</td>
</tr>
<tr>
<td>County Pool</td>
<td>230,604</td>
<td>221,912</td>
</tr>
<tr>
<td>State Pool</td>
<td>757</td>
<td>653</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$1,729,540</td>
<td>$1,522,219</td>
</tr>
<tr>
<td>Measure X</td>
<td>$2,800,377</td>
<td>$2,506,767</td>
</tr>
</tbody>
</table>

*Allocation aberrations have been adjusted to reflect sales activity
2Q 2020
City of Wasco Sales Tax Update

Statewide Results
Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter’s government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV’s, trucks and luxury vehicles. As cabin fever set in, sales of RV’s, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the second quarter of 2019 and country pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter’s tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Un-anticipated gains in agriculture related purchases and transit spending further added to the offset.

Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction’s experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

Revenue By Business Group
Wasco This Quarter*

Sales Per Capita*

County Overall 2Q YOY Receipts % Change

Major Industry Groups
Cash Adjusted*
Autos and Transportation -2.0% -7.9%
Building and Construction 0.8% -0.1%
Business and Industry 20.6% -4.5%
Food and Drugs 14.3% 8.6%
Fuel and Service Stations -45.7% -44.3%
General Consumer Goods -7.5% -18.0%
Restaurants and Hotels -4.4% -23.6%
County and State Pools 25.3% 25.0%
Total -1.9% -10.8%

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*Accounting anomalies factored out

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