

# Q4 2019



# City of Diamond Bar Sales Tax *Update*

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

## Diamond Bar In Brief

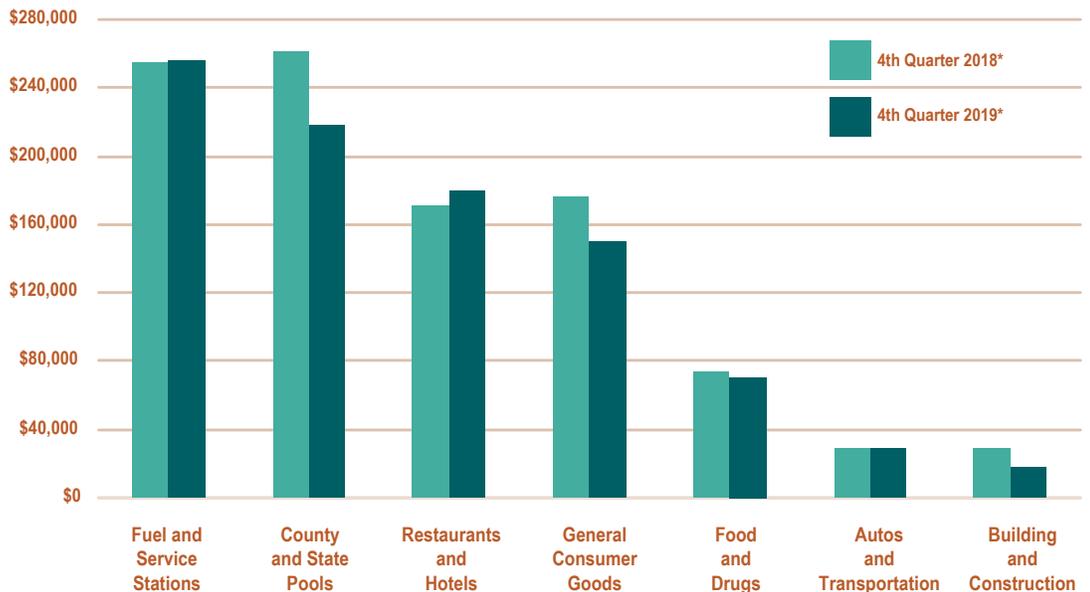
Diamond Bar's receipts from October through December were 30.7% below the fourth sales period in 2018. However, a large misallocated payment in the prior year caused the dramatic decrease from both business-industry and countywide use tax pool distributions. Excluding reporting aberrations, actual sales were still down 6.3%.

Weak holiday shopping from multiple general consumer retailers was largely responsible for the overall adjusted decline. Decreased activity from contractor suppliers also negatively impacted the building-construction sector.

Steady gains from fast casual and casual dining establishments helped partially offset the drop.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.8% over the comparable time period; the Southern California region was up 4.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Habit Burger
Albertsons	In N Out Burger
Arco AM PM	McDonald's
California Integrated Solutions	Pho Ha Plus
Chevron	Restaurant Depot
Chilis	Ross
Circle K	Sams Mobile
CVS Pharmacy	Shell
Diamond Bar Chevron	Smart & Final
Diamond Bar Shell	Target
Diamond Hills Collision Center	Trident Supply
Grand Mobil	Walmart Neighborhood Market
Graybar Electric	

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$2,924,890	\$2,314,438
County Pool	414,280	415,045
State Pool	1,457	1,034
<b>Gross Receipts</b>	<b>\$3,340,627</b>	<b>\$2,730,517</b>

**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.

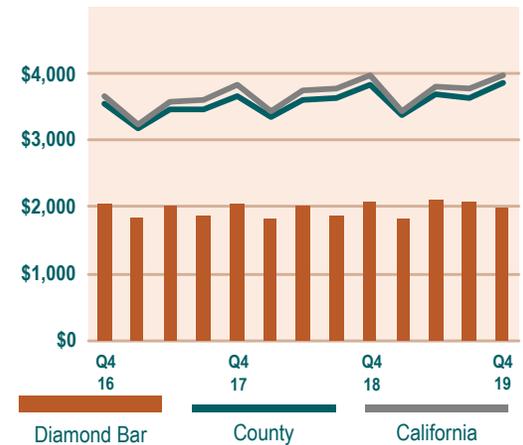
**Covid-19**

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.

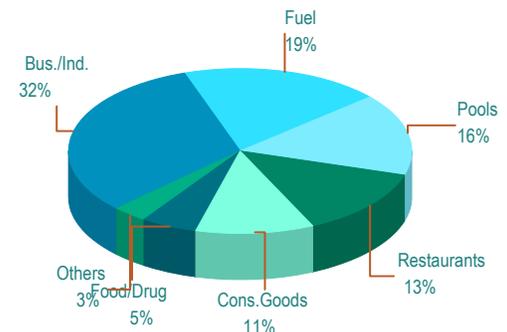
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is 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

**REVENUE BY BUSINESS GROUP**  
Diamond Bar This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**DIAMOND BAR TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Diamond Bar Q4 '19*	Diamond Bar Change	County Change	HdL State Change
Auto Repair Shops	13.5	25.2%	-3.8%	-1.0%
Casual Dining	88.9	6.9%	4.3%	3.8%
Contractors	13.3	-50.3%	-4.4%	-4.5%
Discount Dept Stores	—	CONFIDENTIAL	3.8%	3.6%
Drug Stores	—	CONFIDENTIAL	-0.1%	-0.7%
Electrical Equipment	—	CONFIDENTIAL	19.8%	3.2%
Family Apparel	24.5	9.2%	-1.2%	1.3%
Fast-Casual Restaurants	—	CONFIDENTIAL	1.6%	4.4%
Food Service Equip./Supplies	—	CONFIDENTIAL	-3.7%	-2.0%
Grocery Stores	50.2	3.8%	0.7%	1.3%
Light Industrial/Printers	11.3	-23.8%	-8.7%	-7.4%
Office Supplies/Furniture	20.1	25.6%	-10.7%	-8.1%
Quick-Service Restaurants	67.6	-0.9%	0.6%	1.9%
Service Stations	255.8	0.9%	-0.1%	0.2%
Specialty Stores	20.4	-26.0%	-1.0%	-3.8%
<b>Total All Accounts</b>	<b>1,135.3</b>	<b>-4.1%</b>	<b>0.2%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>218.1</b>	<b>-16.5%</b>	<b>26.7%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>1,353.4</b>	<b>-6.3%</b>	<b>3.8%</b>	<b>4.2%</b>

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