

Q4 2019



City of Corning Sales Tax Update

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

Corning In Brief

Corning's receipts from October through December were 6.8% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 3.9%.

Confidentiality rules limit what details can be included regarding the quarterly results.

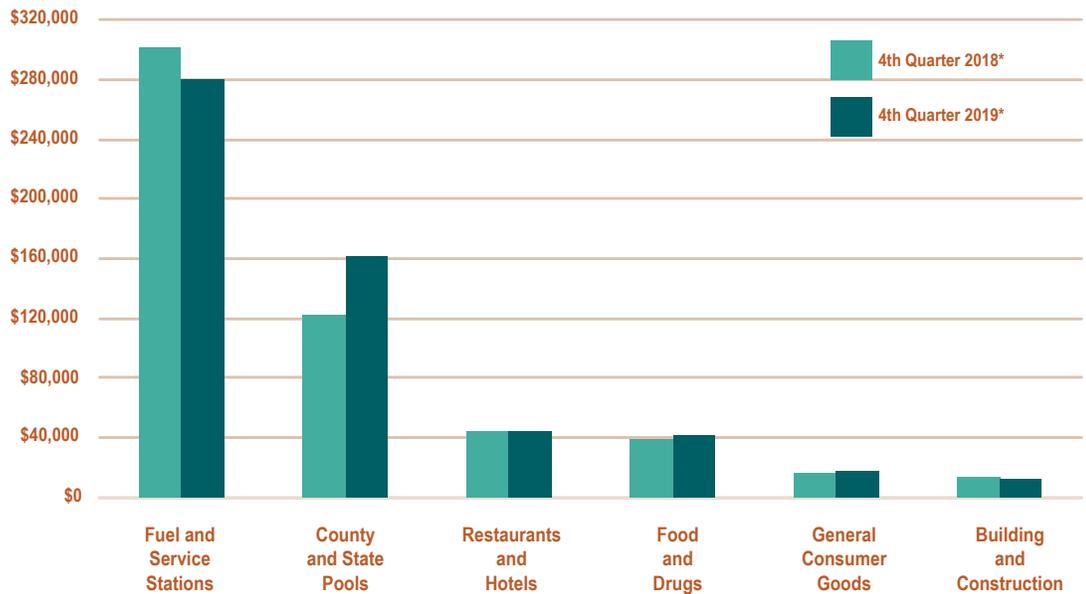
The full implementation of AB 147 (Wayfair- Marketplace Facilitators) boosted the unincorporated area's allocation from the countywide use tax pool by 32.2%. This good news mitigated declines from point of sales and created the overall positive results for the quarter.

Fuel and service stations continue to see slowing sales. Gains in quick-service restaurants offset the declines in casual dining resulting in the restaurant group posting flat returns.

The voter approved transaction tax Measure A generated \$297,016; boosted by new revenues generated as a result of AB 147.

Net of aberrations, taxable sales for all of Tehama County grew 8.5% over the comparable time period; the Far North region was up 4.6%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Jack in the Box
A Wireless	Les Schwab Tire Center
Basra Mini Mart	Loves Travel Stop
Burger King	McCoys Hardware & Farm Supply
Chevron	McDonalds
Corning Ace Hardware	Napa Auto Parts
Corning Chevron	Rite Aid
Corning Ford Mercury Chrysler	Safeway
Corning Shell	Sav More
Corning Valero	Speedco California
Denny's	TA & Petro Travel Centers
Dollar General	Taco Bell
Dollar Tree	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$1,585,534	\$1,563,689
County Pool	230,563	291,697
State Pool	796	707
Gross Receipts	\$1,816,894	\$1,856,093
Cty/Cnty Share	(181,689)	(185,609)
Net Receipts	\$1,635,204	\$1,670,484
Measure A	\$621,898	\$603,950

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.

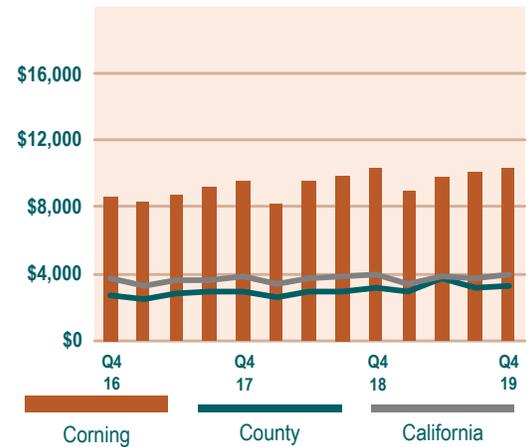
Covid-19

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.

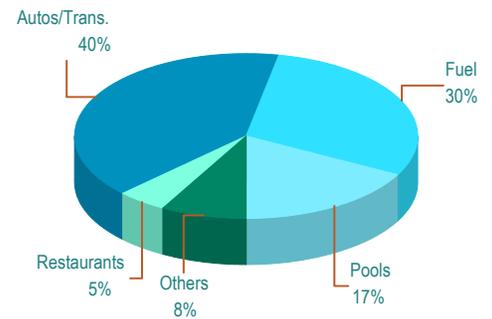
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is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



*Allocation aberrations have been adjusted to reflect sales activity

CORNING TOP 15 BUSINESS TYPES**

Business Type	Corning		County	HdL State
	Q4 '19	Change	Change	Change
Auto Lease	2,638	11.8%	10.2%	3.2%
Auto Repair Shops	4,864	32.5%	-11.9%	-1.0%
Automotive Supply Stores	21,641	-3.6%	9.8%	0.6%
Building Materials	— CONFIDENTIAL —	—	19.8%	1.4%
Casual Dining	15,559	-5.9%	-3.9%	3.8%
Convenience Stores/Liquor	12,962	16.4%	-6.1%	-0.3%
Drug Stores	— CONFIDENTIAL —	—	-2.2%	-0.7%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	0.3%	-6.6%
Grocery Stores	— CONFIDENTIAL —	—	4.5%	1.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-3.2%	-3.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-17.3%	-1.3%
Quick-Service Restaurants	28,115	4.8%	3.0%	1.9%
Service Stations	277,323	-7.2%	-2.4%	0.2%
Variety Stores	— CONFIDENTIAL —	—	3.2%	0.5%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —	—	18.6%	0.3%
Total All Accounts	780,283	-0.5%	4.0%	0.2%
County & State Pool Allocation	161,203	32.2%	37.7%	26.7%
Gross Receipts	941,486	3.9%	8.5%	4.2%

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