

Q1 2020



Moreno Valley Sales Tax *Update*

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

Moreno Valley In Brief

Moreno Valley's receipts from January through March were 20.0% below the first sales period in 2019. However, tax payment deferrals offered by the State has temporarily delayed actual receipts. Once estimated payments are incorporated into the data and reporting aberrations excluded, actual sales were up 1.1%.

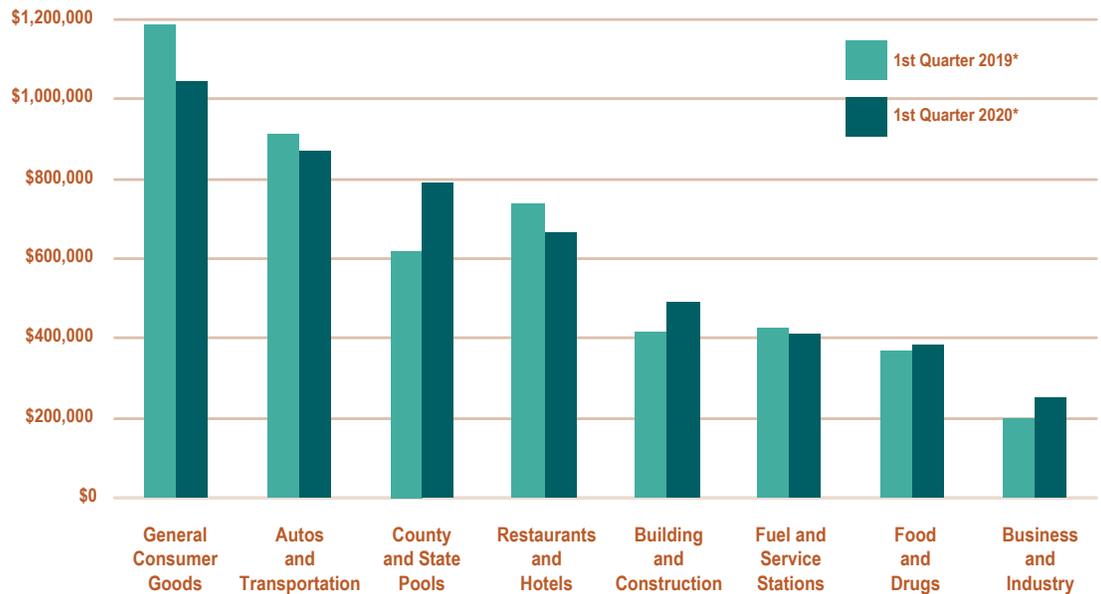
This quarter is the first negatively impacted by the economic shutdown resulting from Covid-19 and the shelter-in-place directive which began in March 2020. Multiple general consumer retailers and restaurants were the most immediately hindered, however new auto dealers were also adversely affected.

Continued new tax revenue from online sales by out-of-state retailers due to the enactment of AB147 and increased sales due to the shutdown, boosted results from the countywide use tax pool, helping offset the declines.

The recent addition of a material supplier lifted the building-construction sector, while food-drug stores improved as consumers prepared for sheltering-in-place.

Net of aberrations, taxable sales for all of Riverside County declined 0.3% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Americar Auto Finance	Moss Bros Chevrolet
Arco AM PM	Moss Bros Chrysler
Chevron	Jeep Dodge Ram Fiat
Circle K	Moss Bros Honda
Costco	Moss Bros Toyota
Deckers Outdoor	Robertsons Ready Mix
Floor & Decor Outlets	Ross
Food 4 Less	Shell
Harbor Freight Tools	Stater Bros
Home Depot	Target
Hyundai of Moreno Valley	United Material Handling
Lowe's	Volkswagen of Moreno Valley
Moss Bros Buick GMC	Walmart Supercenter

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$14,502,407	\$13,504,185
County Pool	2,259,115	2,152,967
State Pool	7,629	7,407
Gross Receipts	\$16,769,152	\$15,664,559

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.

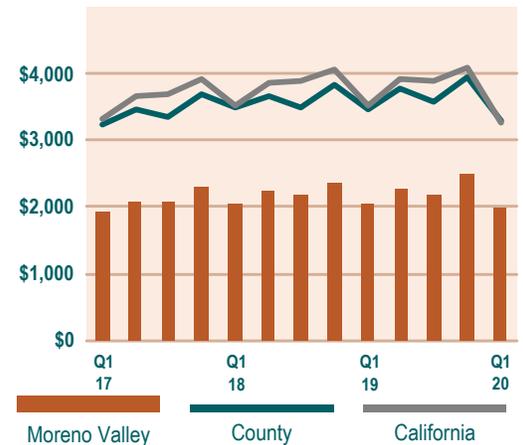
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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.

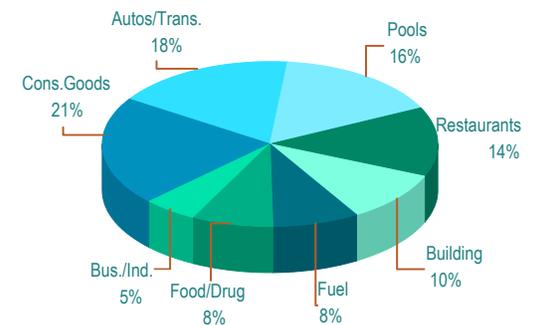
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Moreno Valley This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

MORENO VALLEY TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Moreno Valley Q1 '20*	Moreno Valley Change	County Change	HdL State Change
Automotive Supply Stores	93.1	-6.3%	-7.0%	-9.5%
Building Materials	373.7	28.6%	5.8%	3.0%
Casual Dining	204.6	-21.0%	-17.1%	-18.8%
Contractors	97.8	-7.1%	12.6%	3.2%
Department Stores	63.3	-40.1%	-33.5%	-34.6%
Discount Dept Stores	— CONFIDENTIAL —	—	4.7%	3.2%
Electronics/Appliance Stores	71.3	-21.1%	-17.3%	-18.0%
Family Apparel	122.6	-18.7%	-20.8%	-21.1%
Fast-Casual Restaurants	70.1	-5.5%	-7.5%	-9.9%
Fulfillment Centers	97.7	26.8%	-4.4%	56.5%
Grocery Stores	274.9	6.3%	11.7%	11.8%
Heavy Industrial	— CONFIDENTIAL —	—	8.6%	-6.4%
New Motor Vehicle Dealers	607.3	-6.2%	-6.6%	-10.6%
Quick-Service Restaurants	380.8	-2.5%	-5.0%	-8.5%
Service Stations	412.4	-2.7%	-3.9%	-9.5%
Total All Accounts	4,120.5	-2.8%	-4.3%	-7.3%
County & State Pool Allocation	790.2	28.0%	27.8%	22.4%
Gross Receipts	4,910.6	1.1%	-0.3%	-3.0%

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