In Brief

Burlingame’s receipts from October through December were 5.9% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were down 1.0%.

Weak sales activity by new auto dealers compared to the prior year peaks were largely responsible for the overall adjusted decline. Decreased activity by light industrial manufacturers, electrical equipment suppliers and medical/biotech merchants negatively impacted business-industry.

However, solid holiday shopping results from multiple general consumer categories including jewelry stores helped offset the drop.

Although local point of sale results were down, increased taxes collected for online purchases of items shipped into the region compared to last year, enhanced allocations from the countywide use tax pool.

Voter-approved Measure I generated an additional $711,891 or 5.1% increase over last year, largely due to new tax revenue from online sales by out-of-state retailers with the enactment of AB147.

Net of aberrations, taxable sales for all of San Mateo County grew 3.5% over the comparable time period; the Bay Area was up 3.9%.

Sales Tax by Major Business Group

<table>
<thead>
<tr>
<th>Business Group</th>
<th>4th Quarter 2018*</th>
<th>4th Quarter 2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autos and Transportation</td>
<td>$8,141,718</td>
<td>$8,588,722</td>
</tr>
<tr>
<td>County and State Pools</td>
<td>3,110</td>
<td>3,768</td>
</tr>
<tr>
<td>Restaurants and Hotels</td>
<td>$1,649,196</td>
<td>$1,513,286</td>
</tr>
<tr>
<td>General Consumer Goods</td>
<td>$6,489,411</td>
<td>$7,071,668</td>
</tr>
<tr>
<td>Business and Industry</td>
<td>(429,436)</td>
<td>(407,086)</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>$8,159,286</td>
<td>$7,734,632</td>
</tr>
<tr>
<td>Fuel and Service Stations</td>
<td>3,768</td>
<td>3,110</td>
</tr>
<tr>
<td>Food and Drugs</td>
<td>$8,588,722</td>
<td>$8,141,718</td>
</tr>
</tbody>
</table>

Revenue Comparison

<table>
<thead>
<tr>
<th></th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$7,071,668</td>
<td>$6,489,411</td>
</tr>
<tr>
<td>County Pool</td>
<td>1,513,286</td>
<td>1,649,196</td>
</tr>
<tr>
<td>State Pool</td>
<td>3,768</td>
<td>3,110</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$8,588,722</td>
<td>$8,141,718</td>
</tr>
<tr>
<td>Cty/Cnty Share</td>
<td>(429,436)</td>
<td>(407,086)</td>
</tr>
<tr>
<td>Net Receipts</td>
<td>$8,159,286</td>
<td>$7,734,632</td>
</tr>
<tr>
<td>Measure I</td>
<td>$1,343,103</td>
<td>$1,361,195</td>
</tr>
</tbody>
</table>

Top 25 Producers

ABC Supply Co
All Industrial Supply
All Natural Stone
Apple
Audi Leasing
Bentley Leasing
Benihana
Booster Fuels
Floor & Decor
Garratt-Callahan
Hyatt Regency
Kem Jewelers
Lahlouh Printing
Marin Gas & Auto Services
Marriott Hotel
New England Lobster Market & Eatery
Ocean Honda
Oh My Green
Purcell Murray Company
Putnam Chevrolet Cadillac
Putnam Family Motors
Putnam Toyota
Rector Porsche Audi
Safeway
Shell
Tesla Motors

*Allocation aberrations have been adjusted to reflect sales activity
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.

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.