

October 29, 2020

Community Update

By Tami Scott, Administrative Services Director

As part of preparing our forecasts earlier this year, we acknowledged the second quarter of calendar 2020 (April to June period) would appear to be the bottoming out months for sales tax revenues. Beginning in March, shelter in place orders coupled with county-based health and safety decisions triggered immediate closure

of businesses, a spike in unemployment and much uncertainty about economy recovery. Unlike prior calamities in our nation's history, the COVID-19 pandemic was unique for many reasons, not the least of which was closing entire industries that generate sales and transaction taxes so vital for governments to deliver public services.



The high second quarter unemployment rates were primarily felt in the service sectors which produced a lesser share of total sales tax revenues. Skilled professionals, analysts and marketers continued to work at home and found extra cash to spend because of reduced commute and work-related costs as well as less entertainment/travel options. Though much of the quarter's government relief payments were spent largely on rents, utilities, debt, and savings, the money was not distributed proportionally to income losses, thereby also triggering temporary increases in discretionary income for some beneficiaries. Low interest rates and favorable lending practices allowed the extra money to be spent on previously put off items such as autos and home improvements.

To our surprise, the Autos/Transportation results were better than expected in the second quarter of 2020. While new vehicle sales were reported to be down 34% nationally, auto-related tax receipts dropped only 17% in California. Car dealers proved adept at transitioning to online sales; unprecedented government stimulus and rock-bottom interest rates were effective in avoiding worst-case possible outcomes. Furthermore, consumers had more disposable income to spend after the cancellation of vacation plans. Many thought it could be a good time to find a deal, taking advantage of attractive manufacturer incentives. Some bought a new car to avoid public transportation and ride hailing services. Others justified their purchase as an escape, wanting a new vehicle for road-trips. Recreational vehicle and boat sales were especially strong as families looked for new activities to share. Finally, car pricing has hit record levels after automotive production was curtailed earlier this year while manufacturers worked to make assembly-lines safe and, in some cases, temporarily transitioned to the fabrication of medical equipment.

Statewide, second quarter results from Building/Construction were 3.3% lower than this time last year, right in line with forecast assumptions. Activity temporarily dipped following two months of job site shutdowns ordered in six Bay Area counties and a 5% decline in Los Angeles county output. Around the interior of the State, from Central California to the far northern areas, construction spending increased. Meanwhile, statewide consumer spending on home improvements drove up returns at outlets which posted record gains as home improvements occurred at a robust pace.

The Business/Industrial group reduction was slightly less than projected because of unanticipated increases in agricultural related expenditures and demand for equipment, supplies and technology to accommodate work and school at home conversions. One-time transit projects also produced temporary gains for the group overall.

Lack of dining opportunities along with stay at home mandates drove sales from full-service grocery stores up by 8%. Cannabis retailers were deemed essential; the addition of new merchants partially contributed to the 40% growth by this sector. Overall performance of the Food/Drugs group was slightly better than estimates.

The full brunt of COVID-19 struck the Fuel and Service Stations industry hard during this time. While regular and diesel gas pump prices in California began to go back up at the beginning of the quarter, this did not translate into an increase in sales tax associated with fuel. People stayed home and did not travel or participate in many road trips. The airline and travel industries were hit hard, and this translated to lower sales tax on jet fuel. Total sales tax in the industry dropped 47% in the quarter completely attributable to lack of demand and consumption of fuel. Results varied in different parts of the State, depending upon the severity of shelter in place orders, local reliance on workers and facilities that supplied diesel fuel for the trucking industry.

General consumer goods receipts did better than projected declines, coming in 38% lower than the same period in 2019. Categories that exceeded expectations included electronics, home furnishings, sporting goods, and specialty stores. Statewide, these categories still reported extreme losses ranging from declines of 36% to 51%. Sporting goods/bike stores decreased only 11%. As households became local offices and learning centers it was clear spending shifted to categories that improved these spaces like home furnishings. Discount department stores, expected to perform well, grew market share and accounted for over 43% of revenue in from this group. Overall big box retailers declined which is attributed to reduced fuel consumption/prices that are combined with store transactions reported by some companies.

Restaurant spending hit a low point in April. The varying levels of restrictions across the state resulted in varying performance for restaurants in the second quarter. Restaurants in the Far North, Sacramento region and San Joaquin Valley were not hit as hard as the rest of the State. These areas boosted the statewide losses. Diners were anxious to return to restaurants and rushed to eat out during the re-opening in June. This behavior proved to be a momentary lift on restrictions, but provided a much needed, albeit small boost to casual and fine dining at the end of the quarter.

In addition, our expectations were housebound families would be more judicious in spending, focusing on essential products and limiting discretionary spending. However, robust shopping pushed this group up 29%. Record numbers of online customer accounts were created during the shelter weeks. Online sales from segments like shoes, furniture, leisure wear and exercise equipment were beyond expectations. The largest impact emerged from general retailers who exceeded estimates; revenues from this sector rose \$71 million, a 264% improvement. Significant store closures across the State along with generous temporary unemployment benefits helped spur a greater than anticipated growth by the pools.

The real telltale sign will come via the mid-year review in late January, which will better reflect the actual receipts for sales and transactions tax related to auto sales & service as well as the hotel performance as more people are driving to vacation and not flying. Timing as to how and when we receive these sales and transactions taxes (the bulk of which is approximately 6 months from the actual sale).

Prior to the COVID-19 Pandemic, the City has continued to recover from the Great Recession of 2007. Over the years, it has been necessary for the City to take certain actions to minimize the impact to the City's ability to provide vital community services. This is predominantly due to the highly concentrated revenue source derived from the auto sales and services, which is considered a highly volatile industry. In order to mitigate this economic volatility and the associated risk of another downturn in our economy, it is essential we grow our General Fund's "Savings Account", which is formally known as our fund balance. As a result, under the direction of the City Council effective July 1, 2014, the City's Fund Balance ("Savings Account") Policy was amended to establish specific goals for our savings account:

Under the policy, the City must maintain a minimum fund balance of 33% of its annual general fund operating budget. By the year 2020, the City must grow its fund balance to 50% of its annual general fund operating budget for the following purposes: (1) cash flow (50%); (2) economic uncertainties/volatility (40%); and (3) unplanned budget-related adjustments (10%). The purpose is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens to this community. As a result of the budget cuts earlier this year, we continue to meet this goal.

COVID-19 INFORMATION

COVID-19 Info

Get the latest on Coronavirus Disease 2019



Business Support

Cathedral City Economic Development

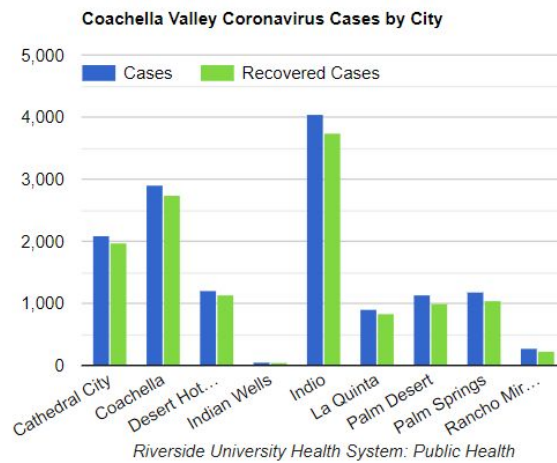


By the Numbers:

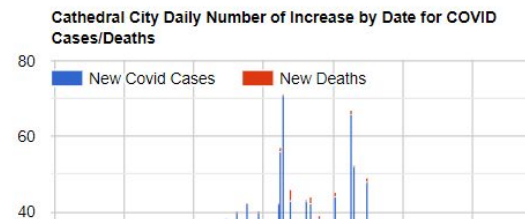
As of October 29, 2020, Cathedral City had a total of 2,099 confirmed COVID-19 cases and 35 reported deaths. Other Coachella Valley cities are reporting the following:

Coachella 2,919 cases, 32 deaths
 Desert Hot Springs 1,221 cases, 28 deaths
 Indian Wells 55 cases, 4 deaths
 Indio 4,056 cases, 80 deaths
 La Quinta 916 cases, 19 deaths
 Palm Desert 1,137 cases, 58 deaths
 Palm Springs 1,191 cases, 53 deaths
 Rancho Mirage 274 cases, 24 deaths

Riverside County has reported 67,552 COVID-19 cases, 1,306 deaths, and 60,490 recovered cases.



Larger



NEWS

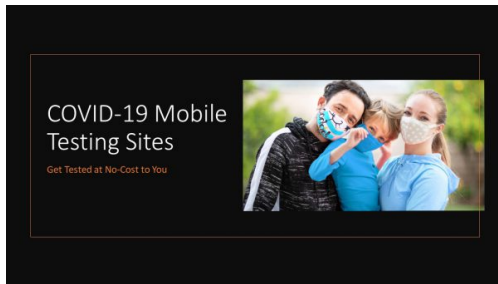
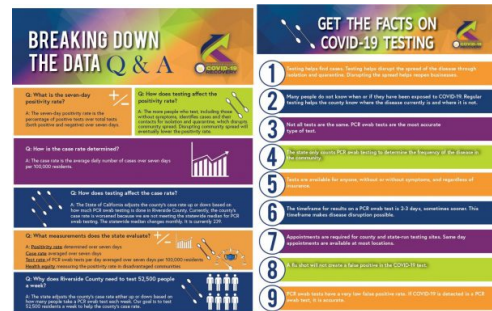


Dedication Video for Fire Station 411 in Downtown Cathedral City

On October 24, 2020, the City Council, Cathedral City Fire Department and the City Urban Revitalization Corporation (C.U.R.C.) officially dedicated the new downtown Fire Station 411 among key stakeholders. Although the public was not able to attend due to the COVID-19 pandemic restrictions, we decided to bring the dedication ceremony to you at home. Watch this historic moment as the ... [Read more.](#)

Riverside County Needs to Test 52,500 People a Week for COVID-19

For Riverside County to move out of the most restrictive tier for businesses to reopen, the county needs to test 52,500 people a week. This will allow health experts to identify hotspots of community spread and isolate those who may or may not have symptoms and are unknowingly spreading the disease. If it has been some time since you last ... [Read more.](#)



Riverside County Offering Mobile COVID-19 Testing Over the Next Few Weeks

Following a successful coronavirus testing event earlier this month at the Palm Springs Convention Center, Riverside County's mobile testing team is

returning to the Coachella Valley to provide free coronavirus tests to residents over the next two weeks. The Riverside University Health System – Public Health mobile testing team will hold testing events in Coachella, Palm Desert, Palm Springs, ... [Read more.](#)

Voting Schedule through November 3rd at City Hall of Cathedral City



We are one week away from your last chance to vote in the 2020 General Election. City Hall of Cathedral City serves as a Ballot Drop-off Location now and as a Voter Assistance Center beginning on Saturday, October 31st through Tuesday, November 3, 2020. The following are the dates and times these two services are offered at City Hall, 68-700 ... [Read more.](#)



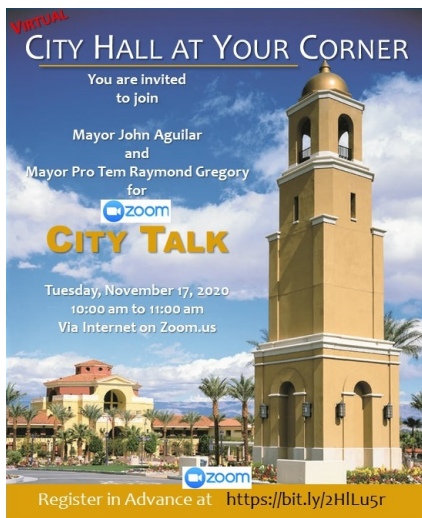
LIVE Video Camera Available for the Ofelia Bringas Memorial Bridge Project

If you have driven on Cathedral Canyon Drive lately, then you have seen the work being done to build the new Ofelia Bringas Memorial Bridge that will span across the Whitewater River Basin. This portion of Cathedral Canyon Drive often floods during torrential rains causing motorists to be rerouted onto Date Palm Drive. Now, you can view the construction 24/7 ... [Read more.](#)

LIVE Construction Webcam

Ofelia Bringas Memorial Bridge - Cathedral Canyon Drive

EVENTS



“City Hall at Your Corner” Happens Tuesday, November 17th – Register Now

Register now for November’s virtual “City Hall at Your Corner” as Mayor John Aguilar and Mayor Pro Tem Raymond Gregory host the event for an informal discussion of issues in Cathedral City. This virtual event will take place on Tuesday, November 17, 2020 from 10:00 am to 11:00 am on Zoom.us. You must register for the event in advance ... [Read more.](#)

First Fridays Art Walk on Perez Road

Looking for an opportunity to walk and view some amazing art at the same time? Then come wearing your face mask and social distance at the First Fridays Art Walk on Perez Road from 5 pm to 8 pm on Friday, November 6, 2020. The nine art galleries are located at 68845 & 68895 Perez Road in the “H” and ... [Read more.](#)





Cathedral City Postpones Special Events Until Further Notice

On March 19, 2020, Governor Newsom signed an [Executive Order \(PDF\)](#) and [Public Health Order \(PDF\)](#) directed all Californians to stay home except to go to an essential job or to shop for essential needs.

The City of Cathedral City will suspend all special events until further notice.



For Questions or Comments, Contact Chris Parman, Communications and Events Manager
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