

February 25, 2021

National Toast Day

Community Update

By Tami Scott, Administrative Services Director

Below is a great article from Ken Nordhoff, HdL Principal, who wrote for [PublicCEO.com](https://www.publicceo.com), entitled, "Sales Tax – What just happened and what to expect". I believe you will find the information as enlightening as I did as it relates to sales tax dollars, consumer shopping patterns during the pandemic, as well as current and future tax revenues for state and local government.



Enjoy this article...

The recently concluded 2020 year was certainly full of challenges across California. Social unrest, the COVID-19 pandemic crisis, plus unprecedented wildfires across the Golden State posed significant strains in addressing community needs. Last January was generally trending in a positive direction, however, beginning in March, many city, county and special district budgets began to experience rapid declines in key general fund tax resources.

Local governments are once again facing financial distress. Acknowledging different agencies have unique primary funding sources, it is common for many communities to rely on sales taxes as a major resource necessary for delivery of public services. Given what has transpired, we thought it would be helpful to examine sales taxes; see if any unique patterns emerged; understand short and/or long-term implications.

For context purposes, readers know the California basic sales tax rate of 7.25% includes a 1% local Bradley Burns component along with designated county portions directed to transportation, Prop 172 public safety and realignment programs. Specifically, I want to draw attention to the 1% Bradley Burns sales tax nuances over the last twelve months while offering insights as to what may lie ahead in 2021.

Behavioral Shifts

The Coronavirus calamity necessitated lifestyle adaptation; previously normalized shopping behaviors changed overnight. Fewer people in stores, reduced trip destinations and heightened internet buying modified spending patterns. When analyzing taxes remitted last year, the following trends emerged:

- Non-essential retailer restrictions, both access and operational, reduced customer spending at local businesses; general consumer goods, restaurants and hotels suffered significant declines in tax filings. Plummeting oil prices coupled with a lack of demand lessened fuel seller's receipts.

- Conversely, revenues grew from in-state fulfillment centers; essential businesses gains (e.g., building materials, grocers) captured housebound spending due to remote working and home improvement projects. The table below captures the top ten segments performance over the first nine months of 2020.

TOP 10 SEGMENTS 2020 YTD					
Rank	Business Type Description	2019 YTD	2020 YTD	YTD \$ Chg	YTD % Chg
1	New Motor Vehicle Dealers	\$481M	\$453M	-\$28M	-6%
2	Service Stations	403M	286M	-117M	-29%
3	Discount Dept Stores	279M	278M	-1M	0%
4	Building Materials	238M	260M	22M	9%
5	Quick-Service Restaurants	238M	205M	-32M	-14%
6	Casual Dining	289M	179M	-111M	-38%
7	Grocery Stores	132M	144M	12M	9%
8	Fulfillment Centers	62M	126M	64M	102%
9	Contractors	131M	124M	-7M	-5%
10	Medical/Biotech	88M	86M	-2M	-2%

Decreases - SIP restrictions, shuttered locations, limited operations, lack of travel

Increases – Essential businesses, spike in online ordering, home improvements

- Ecommerce sales escalated big time. Consumers dramatically increased online ordering through the holiday season, yielding significant growth in sales tax distributed through the county pools. For those who may not know, a long standing 'county pool' system was devised years ago by CDTFA -California Department of Tax and Fee Administration (formerly the SBOE) to allocate each city or county's local share of use taxes. Contributors to the 58 county pools are primarily online purchases from out of state companies, remote sellers who ship merchandise to California destinations and private party vehicles sales.

- Statewide data is organized into eight industry groups and several regions for analysis and forecasting purposes. Of note: For January to September, county pool allocations rose higher by 33% over the comparable 2019 time and offset half of the 13% decline from brick-and-mortar locations.

- Regions with a greater focus on tourism, hospitality, airports, (LA and Orange Counties, Bay Area) suffered much greater pandemic quarterly tax losses and weaker recovery when compared to inland or rural parts of the State.

- Countywide pools, which were the fourth highest tax producing category in FY 2018-19; catapulted to the top spot in FY 2019-20.

Irony Intersection

California's Assembly Bill "AB147" appeared after the 2018 U.S. Supreme Court ruled in favor of the State of South Dakota, thus, previously held physical nexus arguments were replaced with a 'virtual' presence standard. Full enactment of AB147, including the Marketplace Facilitators Act, occurred as of September 30, 2020.

For California, over \$1.9 billion in new statewide sales and use taxes (excluding add-on district levies) were remitted by marketplace facilitators during this implementation year; Bradley Burns captured \$260 million that was allocated to local jurisdictions.

Ironically, while AB147 was adding new revenues in California, along comes the COVID-19 pandemic. State and local leaders mandated shelter in place for households. Closures of restaurants/hotels/entertainment venues, dramatic reductions in air travel/tourism and numerous employees working remotely propelled sales taxes downward overnight. Uniquely, a random convergence occurred. The flow of new revenues prior to the onset of the pandemic induced economic freeze lessened what would have been even greater sales tax losses at all levels of government.

What May Come – 2021 and Beyond

All are ready for this new year to be better, in so many ways. Questions come to mind as agencies at every level consider unique fiscal plights while implementing strategies to resolve budgetary concerns.

- The State Legislative Analyst's Office fiscal outlook* for FY 2021-22 stated a \$26 billion windfall is entirely one time in nature; operating deficits are forecast the subsequent three years. Voters rejected Proposition 13 in the last election which would have raised \$8 to \$12 billion per annum in commercial property taxes for schools, community colleges and local governments. Given this measure's failure and the looming State fiscal problems, is it likely that Sacramento tries to solve part of their monetary woes by raising revenues? When? How?
- The sales and use tax landscape evolved over the past decade, especially the expansive use of the internet. Unsuccessful attempts at reform/restructuring, such as Senate Constitutional Amendment ("SCA") 20 and Assembly Constitutional Amendment ("ACA") 13, would have changed sales tax allocation formulas from a point of sale to a destination-based methodology, thereby redistributing the Bradley Burns 1% rate to local governments. Might similar types of legislation be introduced in this upcoming session and if so, how would it impact local governments?
- Taking matters into their own hands, many cities and counties have approved local district taxes. The November election saw 65 local add-on tax measures approved by voters; some imposed first time levies, others increased existing rates, extended, or eliminated sunset terms. Are you considering a local measure? General or special sales tax? Do you know the available transaction's tax cap space that could limit your options?

The 2020 sales tax outcomes tied to COVID-19 forces are going to carry into 2021 and beyond. Broader deployment of curbside pickup, at home delivery is here to stay. The mega-boost in online purchasing created a new baseline for countywide pool revenues; absent legislative changes or CDTFA rulings, this sector will remain a top tax generating category for most jurisdictions. Communities with high concentrations of hospitality, leisure venues and travel-reliant businesses are going to recover slowly.

Round two of stimulus checks are likely directed toward household basics – rent, utilities, food; probably will not move the needle in terms of taxable purchases. The shift to spending on 'goods' this past summer will likely return back into services and non-taxable areas once the economy reopens in a meaningful way. Most important - the timing and pace of economic rebound is influenced by several factors, notably each agency's local tax base composition and the successful deployment of Coronavirus vaccines.

We do not expect 2021 to be a return of "normalization"; sales tax spending, like human behaviors, evolves over time. However, we do believe future sales taxes should 'normalize' into new patterns that must be taken into consideration as agencies make critical decisions to address budgetary needs and long-term financial obligations.

COVID-19 INFORMATION

COVID-19 Info

Get the latest on Coronavirus Disease 2019



Business Support

Cathedral City Economic Development

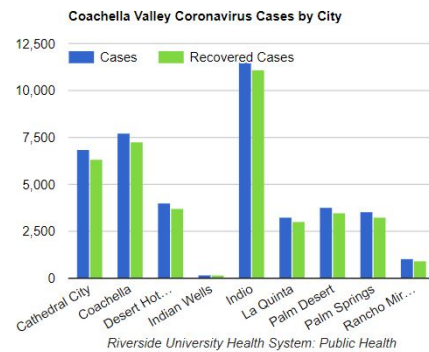


By the Numbers:

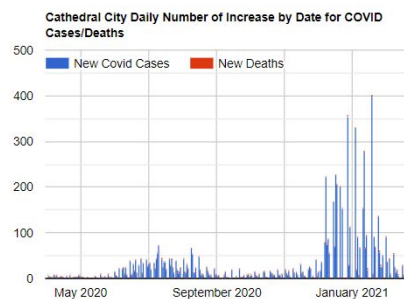
As of February 25, 2021, Cathedral City had a total of 6,863 confirmed COVID-19 cases (+35 since last week) and 100 reported deaths (+2 since last week). Other Coachella Valley cities are reporting the following:

Coachella 7,749 cases (+22), 80 deaths (+0)
Desert Hot Springs 4,048 cases (+42), 58 deaths (+0)
Indian Wells 189 cases (+1), 6 deaths (+0)
Indio 11,970 cases (+52), 185 deaths (+0)
La Quinta 3,281 cases (+14), 52 deaths (+0)
Palm Desert 3,808 cases (+20), 101 deaths (+3)
Palm Springs 3,573 cases (+17), 110 deaths (+3)
Rancho Mirage 1,067 cases (+8), 37 deaths (+0)

Riverside County has reported 289,185 COVID-19 cases (+1,985), 3,749 deaths (+50), and 269,284 recovered cases (+12,011).

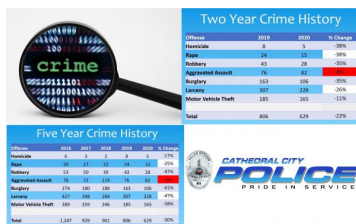


Larger



Latest Educational Flyer for the Measure B Special Election – March 2nd

Cathedral City residents will vote on Measure B during a Special Election being held on Tuesday, March 2, 2021 related to Short-Term Vacation Rentals (STVRs). You soon will receive this latest educational flyer in the mail that offers excerpts from a resolution on Measure B unanimously passed by the City Council. Excerpts from the resolution include: WHEREAS, STVR's have ... [Read more.](#)



Cathedral City Had an Annual 22% Crime Reduction in 2020

At the city council meeting on Wednesday, Police Chief George Crum presented data on Part 1 crimes (the most serious) in Cathedral City comparing statistics from one year ago as well as five years ago. His report showed that in 2020, Part 1 crimes were reduced by 22% compared to 2019 Part 1 crimes. Every category except aggravated assault had ... [Read more.](#)

Schools with Approved COVID-19 Prevention Plans May Return to In-person Instruction

Four school districts in Riverside County have approved plans. Riverside County's adjusted case rate for new COVID-19 cases dropped below a threshold that will allow transitional kindergarten through sixth grade education to reopen in accordance with the state's framework. Today marked the milestone for Riverside County's adjusted countywide daily COVID-19 cases of less than 25 per 100,000 residents. In... [Read more.](#)



Mary Pickford Drive-In Theater Extended to May 31

Managers of the Mary Pickford Theatre in Downtown Cathedral City received unanimous city council approval on Wednesday to continue operating its drive-in movie

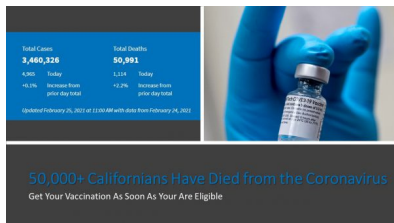


watch Netflix or other streaming movie options at home. Although it is likely that the ... [Read more](#)

theater across Highway 111 until at least May 31st. The drive-in has been an oasis for movie lovers not wanting to

New Cathedral City Promotional Video

Thanks to Mayor Raymond Gregory, Cathedral City has a new promotional video that showcases many of the great attributes that residents and visitors enjoy about our city. Although COVID-19 has temporarily closed many of these entertainment locations, the ongoing vaccinations and new treatments will allow us, once more, to enjoy these venues later this year. [Read more](#).



50,000+ Californians Have Died of COVID-19

An undesirable milestone was reached today as more than 50,000 Californians have died from the Coronavirus in the past year. More than 3.4 million Californians contracted the disease since the global pandemic began. It is important for Californians who are eligible to receive one of the COVID-19 vaccinations to do so. Vaccinations will help slow the spread and prevent ... [Read more](#).

Notice of Vacancy: Architectural Review Committee



The City of Cathedral City currently has one vacancy on the Architectural Review Committee. This term will begin immediately. This position is for a Licensed Landscape Architect or someone who holds certificates or degrees or other education, training or work experience in the field of landscape design or similar fields determined to be relevant by the City Council. ... [Read more](#).

**City Job Opening: Payroll
Coordinator – Apply Now**



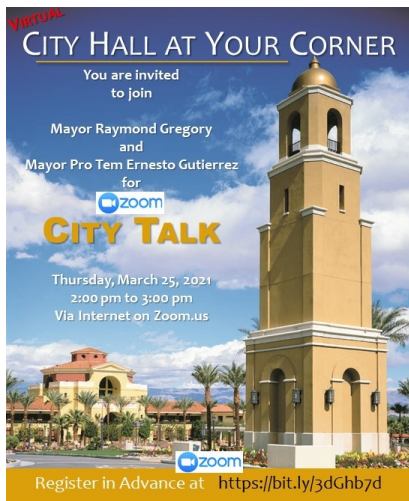
The City of Cathedral City is seeking an energetic person to join our Finance Department. Do you enjoy being part of a team? This may be the position for you! The ideal candidate, under general direction, coordinates activities involved in processing City payrolls to include payment and accounting of salary, payroll deductions, benefits, and related obligations; maintains time reports,

EVENTS



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. The nine art galleries are located at 68845 & 68895 Perez Road in the “H” and “I” buildings. Due to ... [Read more.](#)



“City Hall at Your Corner” Happens March 25th – Register Now

Register now for March’s virtual “City Hall at Your Corner” as Mayor Raymond Gregory and Mayor Pro Tem Ernesto Gutierrez host the event for an informal discussion of issues in Cathedral City. This virtual event will take place on Thursday, March 25, 2021 from 2:00 pm to 3:00 pm on Zoom.us. You must register for the event in advance ... [Read more.](#)

Give the Gift of Life

To schedule an appointment, click below, call 800-879-4484 or download the LifeStream mobile app! Patients need your help. We are taking extra steps to keep donors safe.



"Click on the following link for a list Blood Drives in Cathedral City and to schedule an appointment. You may also call 800-879-4484 or download the LifeStream mobile app! Patients need your help. LifeStream is taking extra

<https://www.lstream.org/ccbd/>



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
cparman@cathedralcity.gov

