

BART SALES TAX UPDATE

BART AUDIT COMMITTEE

SEPTEMBER 18, 2020

HDL FORECASTING PROCESS

- Incorporate the outlook of key economists
- Subscribe to numerous industry publications
- Monitor general economic news such as job losses/growth
- Gather intelligence from clients throughout the State
- Utilize our State contacts and lobbyist to understand & communicate impacts of legislation
- Integrate real-time sales data

BASICS

CDTFA Sales and Allocation Chart

Sales Period	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Advance/Clean-Up Payments	27%	46%	27%	27%	46%	27%	27%	46%	27%	27%	46%	27%
Clean-up Dates (Approx.)		2/22			5/23			8/24			11/28	
Remittance Dates (Approx.)	1/24	2/24	3/24	4/24	5/24	6/24	7/24	8/24	9/24	10/24	11/28	12/27

- HdL identifies quarters by calendar year – Example: January to March 2020 defined as 1q20
- HdL Fiscal Year – September to August cash payments
- BART Fiscal Year – July to June cash payments

STATE BUDGET

(-\$54b) deficit in May

Legislature proposed numerous fixes

Governor signed end of June

- lots of provisions, conditions, federal \$ in play

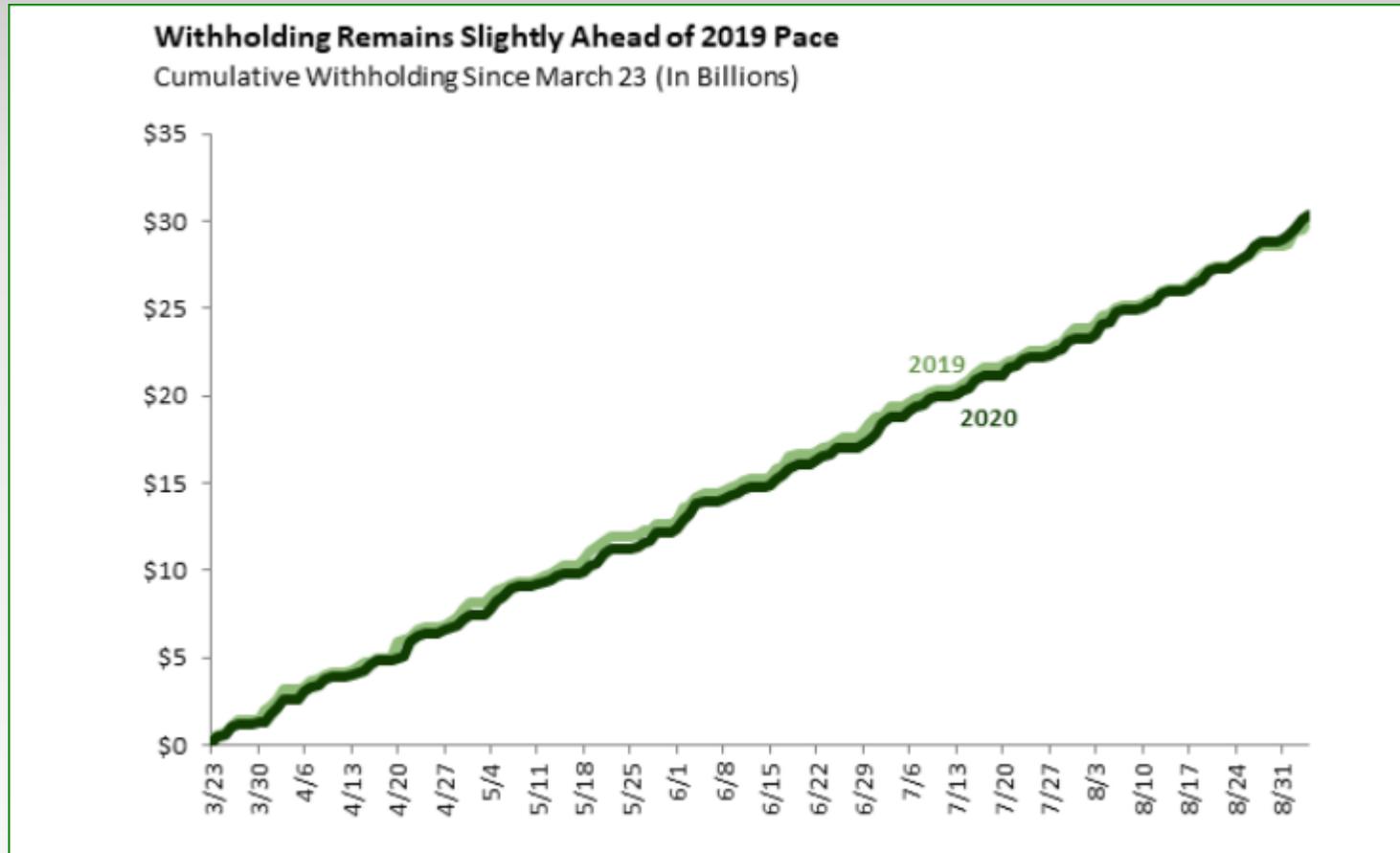
FY 20/21 GF drops:

- **Sales and Use Tax: -27.2 percent.**
- Personal Income Tax: -25.5 percent.
- Corporation Tax: -22.7 percent.

DoF: GF revenues decline \$41.2 billion:

- 2018-19: +\$0.7 billion
- 2019-20: -\$9.7 billion
- **2020-21: -\$32.2 billion**

TAX WITHHOLDING



“Bottom Line: California income tax withholding ran about even with 2019 this week after accounting for the timing of Labor Day. Total collections since late March remain slightly above the comparable period in 2019.”

CA LAO 9/4/2020

Year to Date Sales and Use Tax Receipts

Featured Programs

Sales and Use Tax Receipts

Total Since January 1st

\$38.9bn

Percent Change From Prior Year

-5.5%

Total Since April 1st

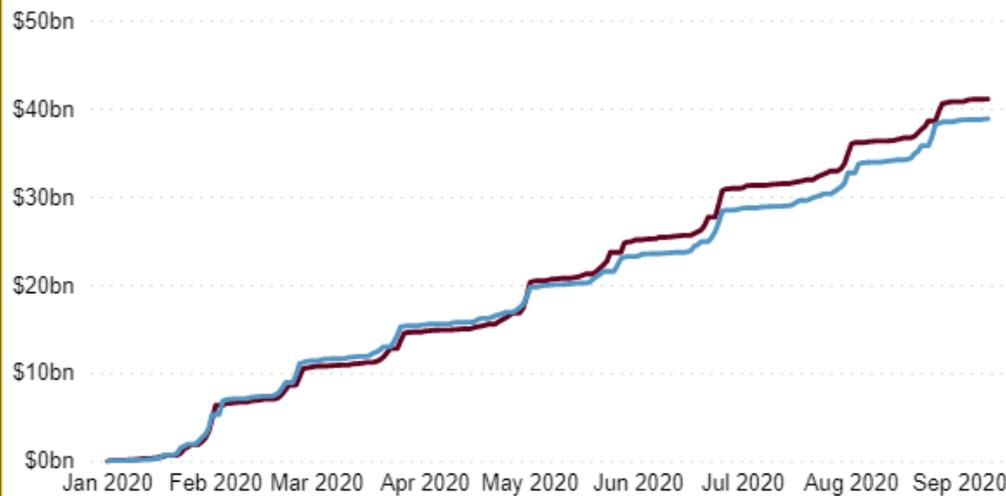
\$23.4bn

Percent Change From Prior Year

-11.5%

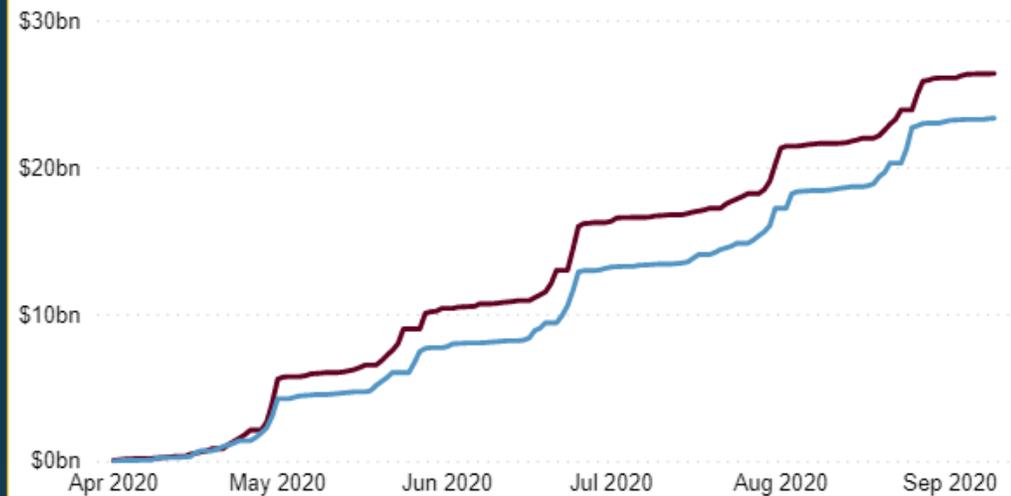
Calendar Year-to-Date Total Tax Receipts

Calendar Year ● 2019 ● 2020



April 1st Onward Total Tax Receipts

Calendar Year ● 2019 ● 2020

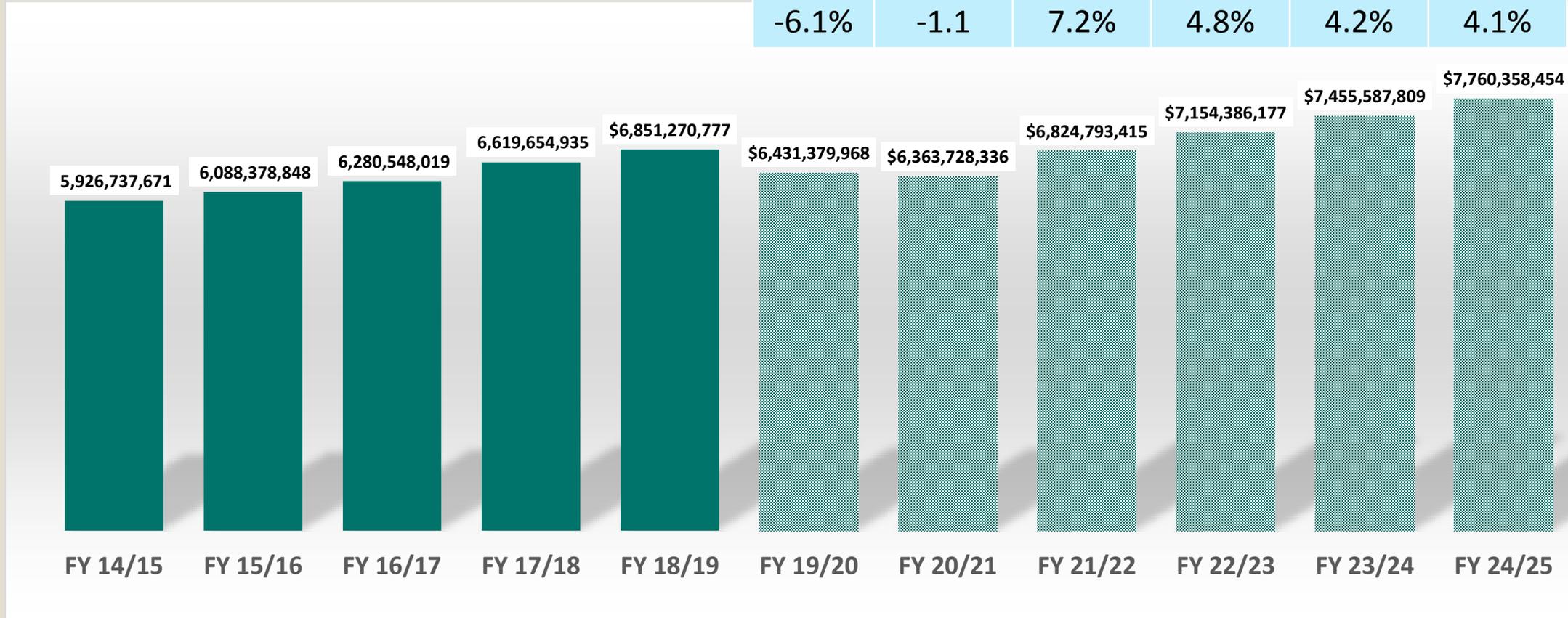


- 1. Represents cash receipts (not tax return data). Excludes DMV payments, FTB payments, and other adjustments.
- 2. Decline in April tax receipts is partly due to a Q1 filing extension of 3-months for small businesses, which could be recouped in the July 31st filing.

HDL STATEWIDE TREND – ANNUAL OUTLOOK(FY)

June 2020 Forecast

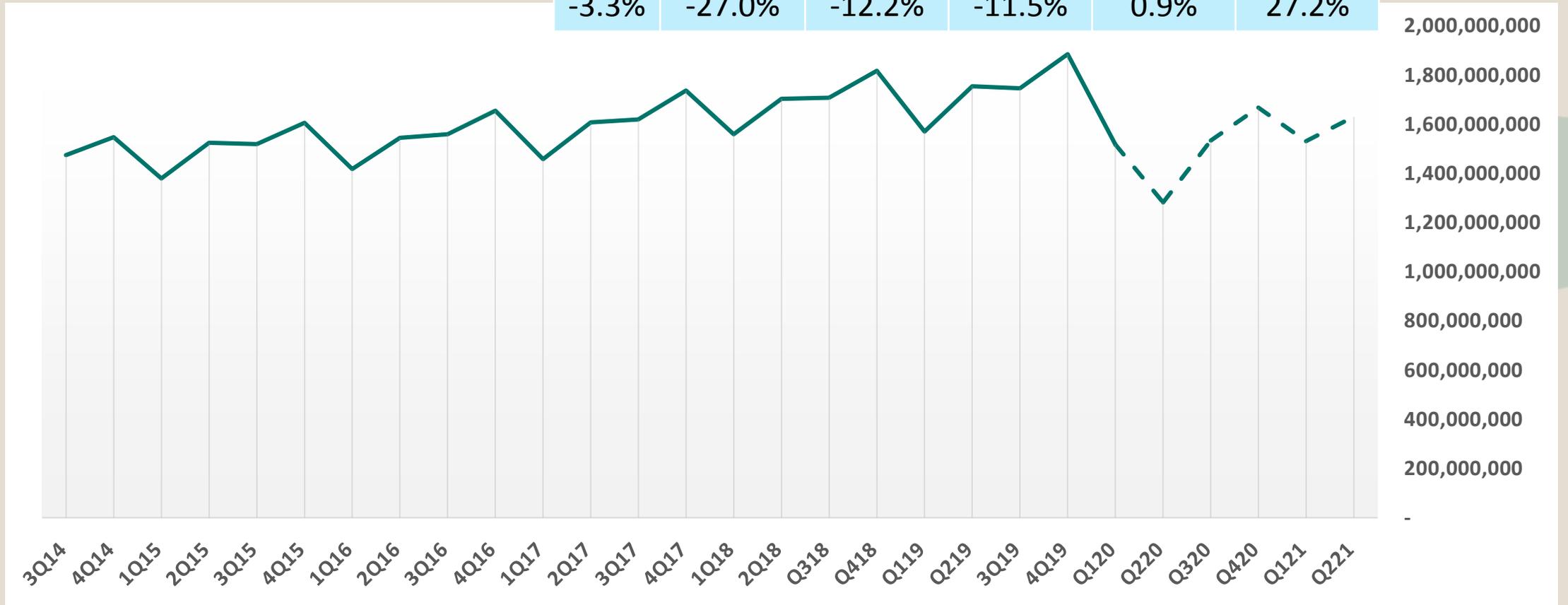
19/20	20/21	21/22	22/23	23/24	24/25
-6.1%	-1.1	7.2%	4.8%	4.2%	4.1%



HDL STATEWIDE TREND – QUARTERLY OUTLOOK

June 2020 Forecast

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
-3.3%	-27.0%	-12.2%	-11.5%	0.9%	27.2%



BART COUNTIES - ALL AGENCIES

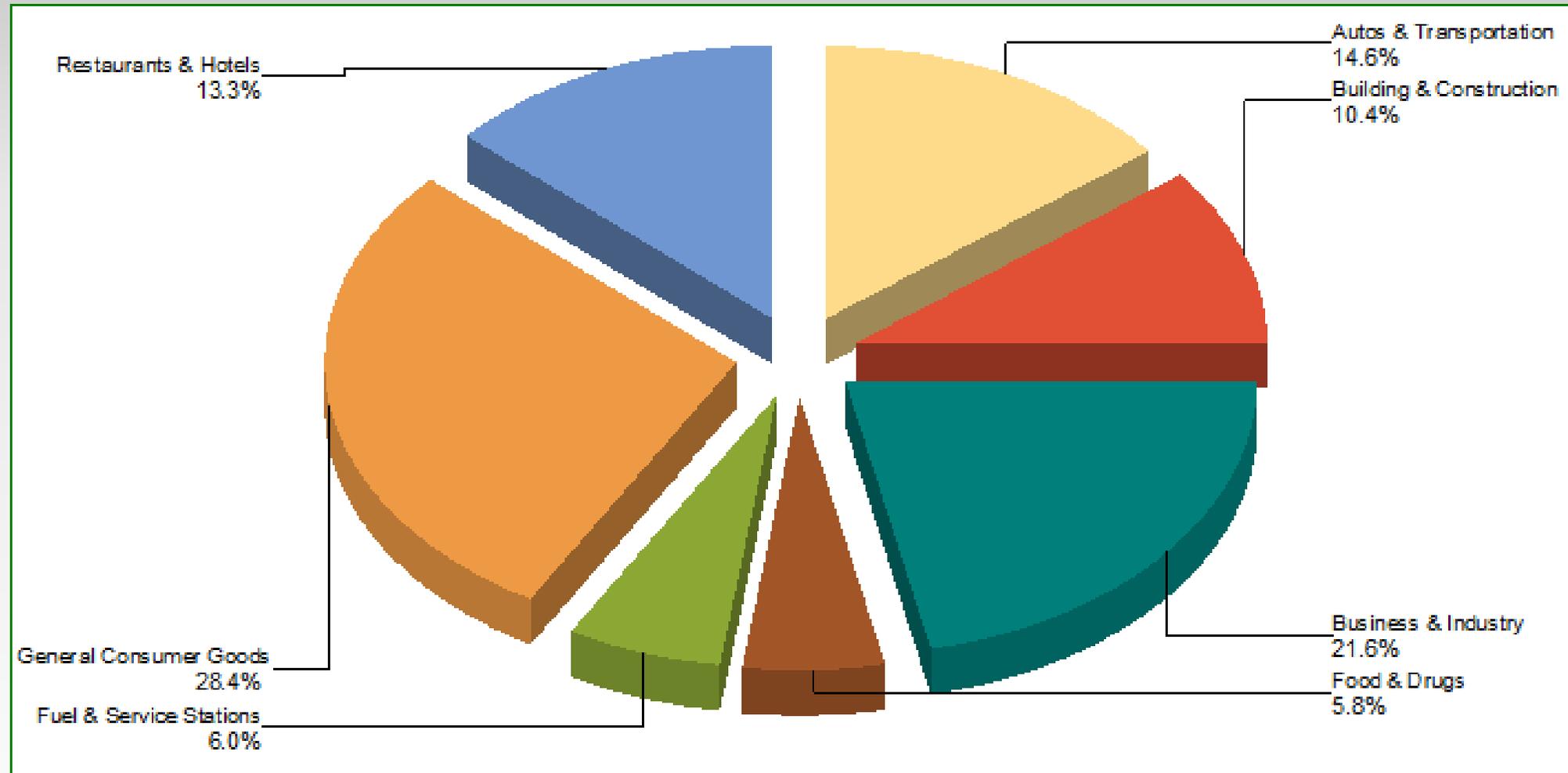
MAJOR INDUSTRY GROUPS - 1% SALES TAX RATE

ADJUSTED FOR
ECONOMIC DATA

Major Industry Group	<u>Alameda County</u>			<u>Contra Costa County</u>			<u>San Francisco County</u>			<u>Combined</u>
	<u>2Q20</u>	<u>2Q19</u>	<u>%Change</u>	<u>2Q20</u>	<u>2Q19</u>	<u>%Change</u>	<u>2Q20</u>	<u>2Q19</u>	<u>%Change</u>	<u>%Change</u>
State and County Pools	\$17,705,153	\$14,326,619	24%	\$10,470,294	\$7,673,340	36%	\$10,343,467	\$10,237,656	1%	19%
Business and Industry	\$13,336,950	\$16,570,303	-20%	\$4,549,098	\$4,599,720	-1%	\$3,665,864	\$6,927,721	-47%	-23%
Autos and Transportation	\$11,057,129	\$15,566,860	-29%	\$6,003,896	\$7,694,502	-22%	\$1,932,742	\$2,485,940	-22%	-26%
Building and Construction	\$7,373,735	\$8,703,905	-15%	\$3,899,555	\$4,189,303	-7%	\$2,378,572	\$3,166,378	-25%	-15%
General Consumer Goods	\$6,658,688	\$14,074,153	-53%	\$5,187,597	\$8,983,996	-42%	\$3,766,182	\$10,714,327	-65%	-54%
Restaurants and Hotels	\$5,259,819	\$10,238,983	-49%	\$3,215,807	\$5,444,556	-41%	\$5,145,716	\$14,527,526	-65%	-55%
Food and Drugs	\$4,395,761	\$4,207,595	4%	\$3,130,329	\$2,810,171	11%	\$2,851,773	\$3,141,360	-9%	2%
Fuel and Service Stations	\$2,813,722	\$5,901,969	-52%	\$2,652,414	\$4,690,730	-43%	\$624,989	\$2,445,216	-74%	-53%
Transfers & Unidentified	<u>\$128,987</u>	<u>\$182,536</u>	<u>-29%</u>	<u>\$57,773</u>	<u>\$74,703</u>	<u>-23%</u>	<u>\$82,803</u>	<u>\$144,347</u>	<u>-43%</u>	<u>-33%</u>
Totals	\$68,729,945	\$89,772,923	-23%	\$39,166,763	\$46,161,021	-15%	\$30,792,108	\$53,790,471	-43%	-27%

Combined Change in 3 County Region consistent with forecast decline for 2q20 of 27%

BART INDUSTRY GROUPS – FY 2019-20





(BART) BAY AREA RAPID TRANSIT DISTRICT

MAJOR INDUSTRY GROUPS

<u>Major Industry Group</u>	<u>Count</u>	<u>2Q20</u>	<u>2Q19</u>	<u>\$ Change</u>	<u>% Change</u>
General Consumer Goods	15,219	15,063,944	17,513,205	(2,449,261)	-14.0%
Business and Industry	25,340	12,042,456	15,128,935	(3,086,480)	-20.4%
Autos and Transportation	5,338	7,867,992	10,514,118	(2,646,126)	-25.2%
Building and Construction	3,979	6,096,862	7,168,832	(1,071,970)	-15.0%
Restaurants and Hotels	7,775	5,098,782	11,126,516	(6,027,734)	-54.2%
Food and Drugs	2,310	3,827,033	3,811,773	15,260	0.4%
Fuel and Service Stations	666	2,369,044	4,738,862	(2,369,817)	-50.0%
Transfers & Unidentified	5,704	728,770	519,841	208,929	40.2%
State and County Pools	-	0	0	0	-N/A-
Total	66,331	53,094,883	70,522,082	(17,427,199)	-24.7%

2q20 (April to June sales):

Nine County Bay Area (-22%); State of CA (-16%)

BART Counties

Alameda (-23%); Contra Costa (-15%); SF (-43%)

RESTAURANTS BY REGION

ADJUSTED DATA

	1Q 2020	% Change	2Q20	2Q %change
Bay Area Totals				
Restaurants And Hotels	45,654,536	-18.4%	28,469,319	-53.2%
Central Coast Totals				
Restaurants And Hotels	7,764,884	-14.4%	5,563,393	-49.4%
Far North Totals				
Restaurants And Hotels	3,156,114	-12.7%	2,619,544	-33.7%
Sacramento Region Totals				
Restaurants And Hotels	10,640,976	-15.3%	8,200,355	-36.0%
San Joaquin Valley Totals*				
Restaurants And Hotels	10,816,972	-10.2%	12,183,801	-23.9%
Sierras Totals				
Restaurants And Hotels	859,761	-13.0%	461,704	-60.2%
Southern California Totals				
Restaurants And Hotels	113,002,660	-15.4%	77,423,677	-44.9%
HdL State Totals				
Restaurants And Hotels	191,895,904	-15.8%	134,921,793	-45.2%
	2019		246,242,086	

Business Types

Sales Tax by Business Types

General Merchandise

Count: 132

New Motor Vehicle Dealers

Count: 994

Building Materials

Count: 568

Discount Dept Stores

Count: 7

Contractors

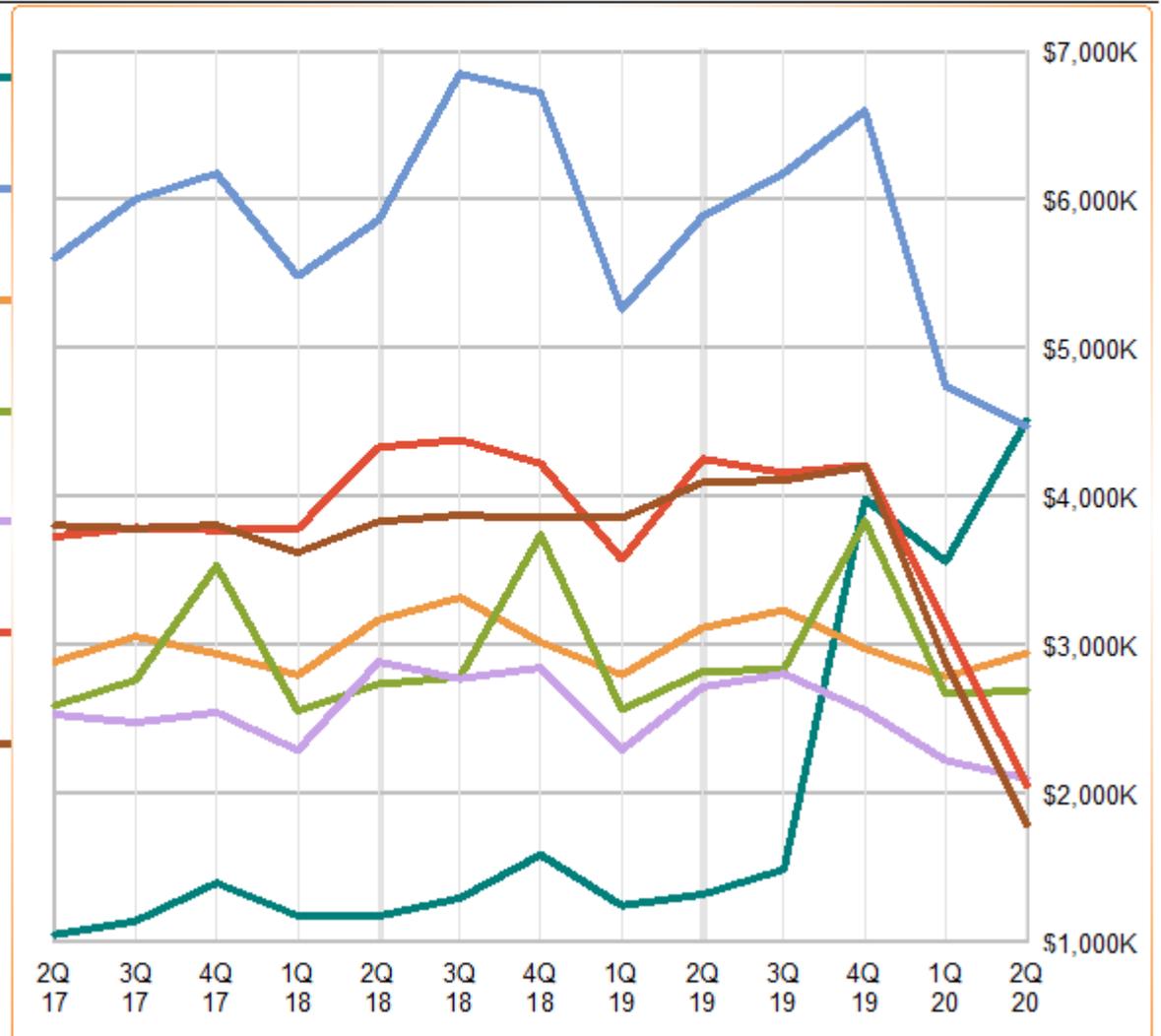
Count: 2,899

Service Stations

Count: 477

Casual Dining

Count: 2,675



General Merchandise:
captured new
Wayfair taxes
effective 2q19

During SIP; 4 of 7
top tax sectors
remained open

Business Types

Sales Tax by Business Types

Casual Dining

Count: 2,675

Fine Dining

Count: 1,459

Hotels-Liquor

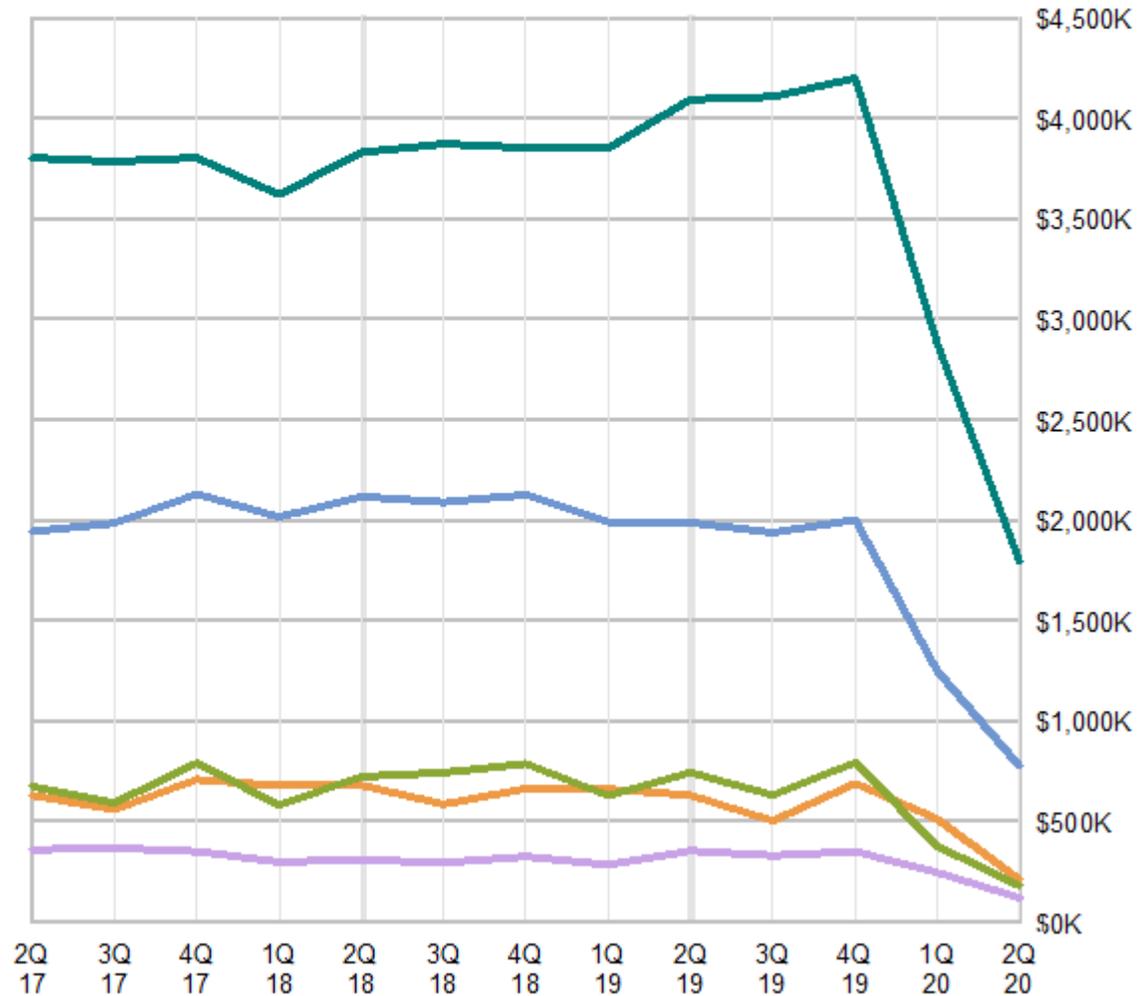
Count: 129

Leisure/Entertainment

Count: 346

Art/Gift/Novelty Stores

Count: 606



DEFERRAL PROGRAMS

BART 1q20:

*Estimated Sales Tax
90-day Deferrals:
\$27,900,000*

*Missing/Deferred
Payments:
\$12,100,000*

*Amount Received
in August 2020:
\$8,906,000*

BART 2q20:

*Estimated Sales Tax
90-day Deferrals:
\$23,500,000*

*Missing/Deferred
Payments:
\$4,600,000*

Cumulative Impacts:

- Far fewer eligible taxpayers took advantage of deferral opportunities*
- \$7.8m forthcoming in November and subsequent months*

FISCAL YEAR RESULTS

BART		
FISCAL YEAR SUMMARY		
	<u>FY 2019-2020</u>	<u>FY 2020-2021</u>
Year End Results	\$ 266,895,487	
BART Approved Budget	\$ 277,000,000	\$ 239,026,007
\$ variance	\$ (10,104,513)	
% variance	-3.6%	
HdL Forecast *	\$ 260,600,000	\$ 241,300,000
\$ variance	\$ 6,295,487	
% variance	2.4%	
* June 2020 forecast using BART fiscal year		

RECOVERY



LOADING...

UNCERTAINTIES AND WHAT'S NEXT

California's reopening risk tiers



Statewide Metrics

9.1
New COVID-19 Positive cases per day per 100K

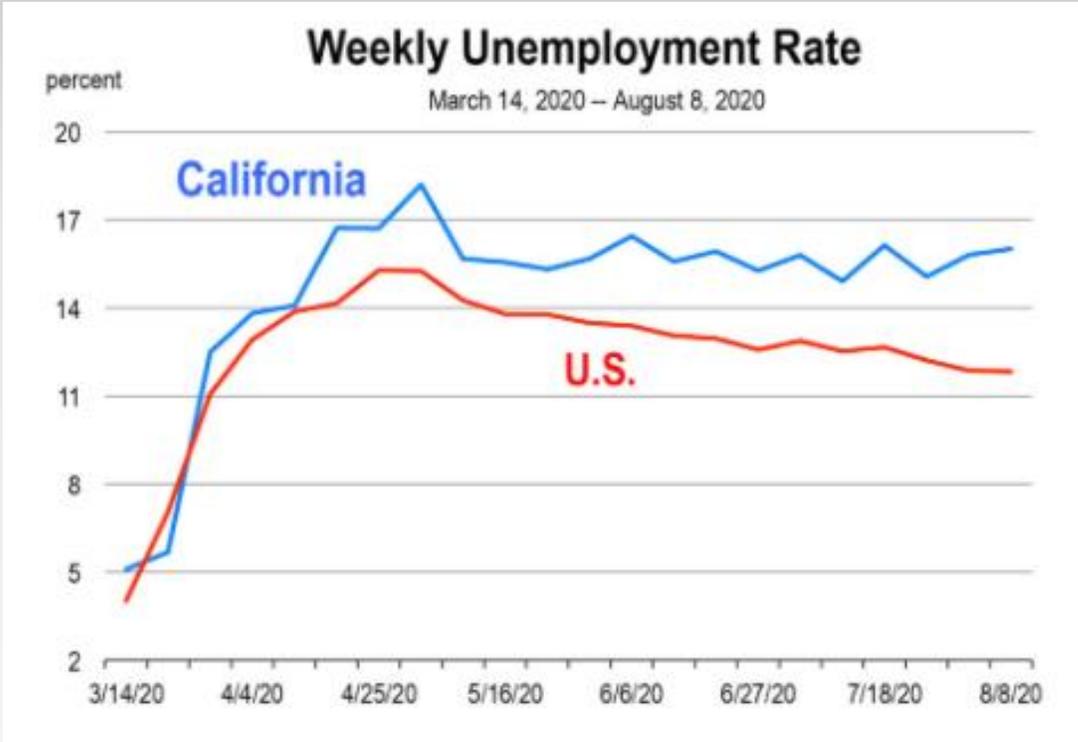
5.3%
Positivity Rate



Data shown for week ending 8/29/20

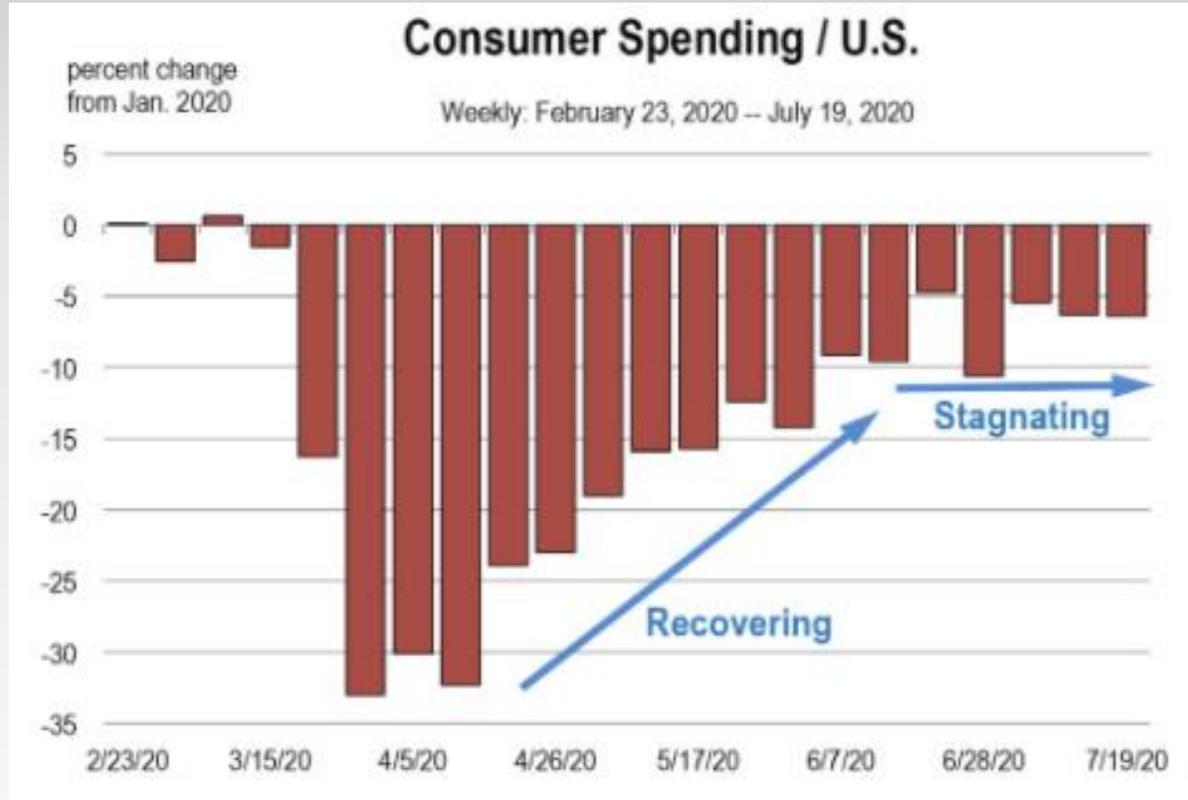
As of Sept 8, 2020

CA EMPLOYMENT



Jobs Lost and Re-Gained in Major California Regions	Feb 2020 - Apr 2020 (%)	Apr 2020 - July 2020 (%)
Sonoma County	-16.5	7.6
Santa Barbara County	-15.4	6.1
Los Angeles County	-15.7	5.1
El Dorado, Placer, Sacramento, Yolo Counties	-14.3	4.4
San Francisco & San Mateo Counties	-16.2	4.3
San Diego County	-15.1	4.2
Orange County	-16.5	4.2
Santa Clara & San Benito Counties	-13.0	4.0
Riverside & San Bernardino Counties	-13.2	3.7
Kern County	-14.7	3.3

CONSUMER SPENDING



RESTAURANT PERMANENT CLOSURES ????

Yelp estimates as of July 10th, CA has 11,118 (approx. 14% of total) permanently closed restaurants restaurants.



Business

One-Third of U.S. Restaurants Face Permanent Closure This Year

By [Anita Sharpe](#) and [Nic Querolo](#)

July 31, 2020, 7:56 AM PDT

- ▶ Covid-19 cases broke records in states first to allow dine in
- ▶ Recovery to pre-pandemic levels will take several years

<https://www.bloomberg.com/news/articles/2020-07-31/one-third-of-u-s-restaurants-face-permanent-closure-this-year>

HOTEL PERMANENT CLOSURES ????

More than 40% of S.F. hotels closed indefinitely with 10,000 workers laid off as shutdown stretches on

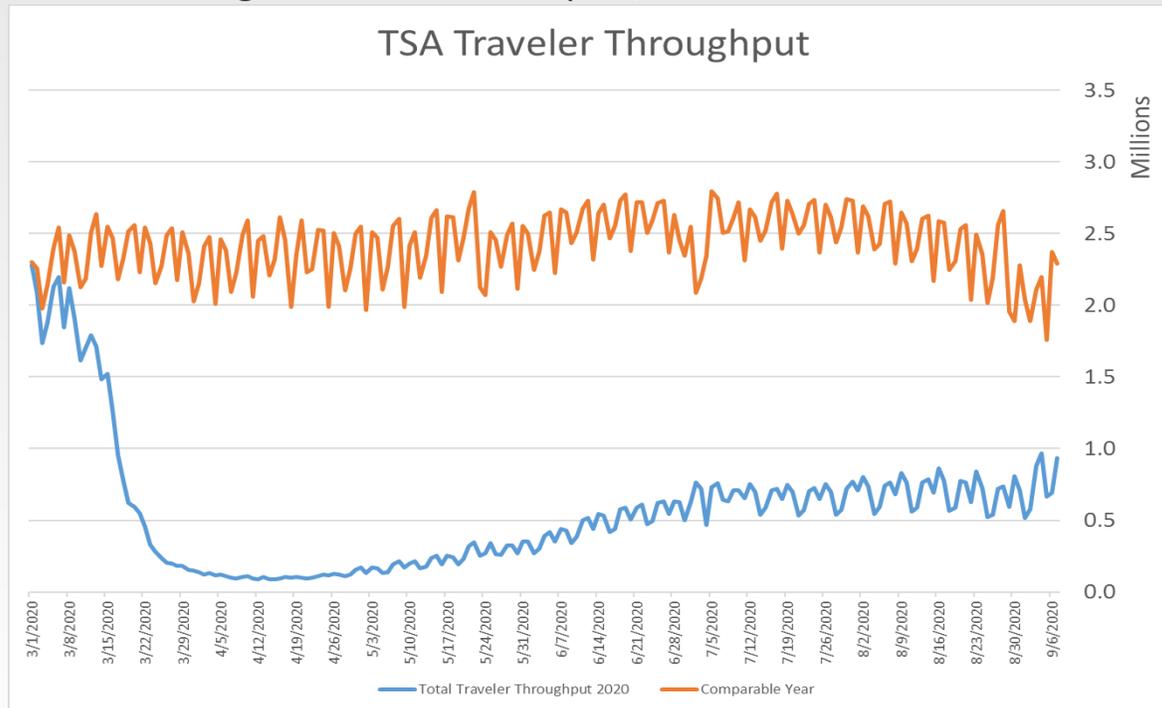
By [Alex Barreira – Staff Reporter, San Francisco Business Times](#)
Aug 3, 2020, 2:52pm PDT Updated Aug 3, 2020,

Almost two-thirds (65 percent) of hotels remain at or below 50 percent occupancy, which is below the threshold at which most hotels can break even and pay debt.

TRAVEL

Nearly three-quarters of Americans (72 percent) did not take a summer vacation this year. Of those who did travel this summer, 71 percent opted for a road trip rather than flying. This is according to a recent survey by **Value Penguin by LendingTree**.

- Travelagentcentral.com Sept 3, 2020



United Airlines expecting to schedule 40% of flights in September, up from 35% in August.

Business travel = 12% passengers, but about 75% of profits (last minute & business class=costly flights)

RECENT ECONOMIC INDICATORS

- 1ST COVID surge – huge drop in biz and consumer spending
 - Businesses and consumers adapted and spending recovered
- 2nd COVID surge – almost no impact on spending
- Home sales very strong-inventory and new permit activity a concern
- Consumer finance delinquencies are down in all categories
- Brick-and-mortar sales down
 - pandemic advanced a trend that was already established
- Hotels-airport, convention, theme park locations are down
- Retail, restaurants and tourism to lag rest of recovery.
- Recovery timelines vary among experts.....

WHAT IS BEING SAID...



Beacon Economics

- Strong recovery
- Full recovery by 2021 (more V Shaped)
- U.S. Unemployment below 7% by 2020



UCLA Anderson

- Full Recovery by 2023
- Nike Swoosh recovery (Slanted)
- Unemployment above 10% through 2020



Federal Reserve Bank (SF)

- GDP to take several years to reach pre-pandemic trend
- Unemployment between 8-10% throughout 2020

OTHER CONSIDERATIONS:

Consumer Confidence

Further Congressional assistance

Counties Health decisions:

- Moving into higher Phases? Backsliding?

Employees ever going back to offices?

- Transportation hubs
- Retail/food adjacencies

Household savings up

- Pent up demand to spend?

Other crisis – e.g. fires

BAY AREA SALES TAX OUTLOOK

Pain – yes in FY 20/21; overall decline

- Sales tax recovery underway FY 21/22
- 3 years to get back to pre-pandemic levels

FY 2020-21 Sales Tax Forecast		
Smooth Sailing	Facing Headwinds	Navigating Choppy Waters
Building/Construction *	Autos/Transportation	General Retail (specialty, apparel, home goods)
Food/Drugs*	Fuel/Service Stations *	Restaurants (casual and fine dining)
Discount Department Stores *	Restaurants (quick service/fast casual)	Hotels
Online Sales	Business/Industry	Leisure/Entertainment
* assumes most merchants in category remain open as essential businesses		

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