



INFORMATIONAL MEMORANDUM

TO: Finance Committee
 FROM: Vicky Carlsen, Finance Director
 BY: Aaron Williams, Fiscal Coordinator
 CC: Mayor Ekberg
 DATE: September 4, 2020
 SUBJECT: Sales Tax & Misc. Revenues – 2nd Quarter 2020

Year Over Year Sales Tax Comparison:

Schedule I - Sales Tax

in \$1,000's

----- YEAR OVER YEAR COMPARISON -----													
---- Month ----		2019 Actual			2020 Actual			YOY Change					
Collect- ed	Rec'd	Construc- tion	Other Industries	Total	Construc- tion	Other Industries	Total	Construction Amount	%	Other Industries Amount	%	Total Amount	%
Jan	Mar	\$ 140	\$ 1,225	\$ 1,365	\$ 145	\$ 1,313	\$ 1,459	\$ 6	4%	\$ 89	7%	\$ 94	7%
Feb	Apr	62	1,252	1,314	138	1,001	1,138	75	121%	(251)	-20%	(175)	-13%
Mar	May	102	1,565	1,668	293	1,022	1,315	191	187%	(543)	-35%	(352)	-21%
Q-1 Totals		\$ 304	4,042	\$ 4,346	\$ 576	3,336	\$ 3,912	\$ 272	89%	(705)	-17%	\$ (434)	-10%
Apr	Jun	119	1,447	1,566	214	770	984	95	80%	(677)	-47%	(582)	-37%
May	Jul	147	1,356	1,503	197	949	1,146	51	34%	(407)	-30%	(357)	-24%
Jun	Aug	204	1,647	1,851	202	1,017	1,220	(1)	-1%	(630)	-38%	(631)	-34%
Q-2 Totals		\$ 470	4,450	\$ 4,920	\$ 614	2,736	\$ 3,350	\$ 145	31%	(1,714)	-39%	\$ (1,569)	-32%
Jul	Sep	165	1,527	1,692			-						
Aug	Oct	230	1,412	1,642			-						
Sep	Nov	309	1,474	1,783			-						
Q-3 Totals		\$ 704	4,413	\$ 5,117	\$ -	-	\$ -	\$ -	0%	-	0%	\$ -	0%
Oct	Dec	310	1,408	1,717			-						
Nov	Jan	164	1,514	1,677			-						
Dec	Feb	267	1,871	2,139			-						
Q-4 Totals		\$ 740	4,793	\$ 5,534	\$ -	-	\$ -	\$ -	0%	-	0%	\$ -	0%
Totals		\$ 2,219	17,698	\$ 19,916	\$ 1,190	6,072	\$ 7,263	\$ 416	19%	(2,419)	-14%	\$ (2,003)	-10%

The global COVID-19 pandemic began impacting businesses and city revenues late in the first quarter. By the end of March many businesses were closed due to the stay home orders, which continued through much of the second quarter of 2020.

Through the first half of the year, sales taxes are \$2M behind the total collected for first half of the prior year. Industries such as retail trade and services have been significantly impacted, accounting for much of the total decline. At the same time, construction sales taxes have remained strong exceed the first half of the prior year by \$416k.

Budget to Actual Sales Tax Comparison:

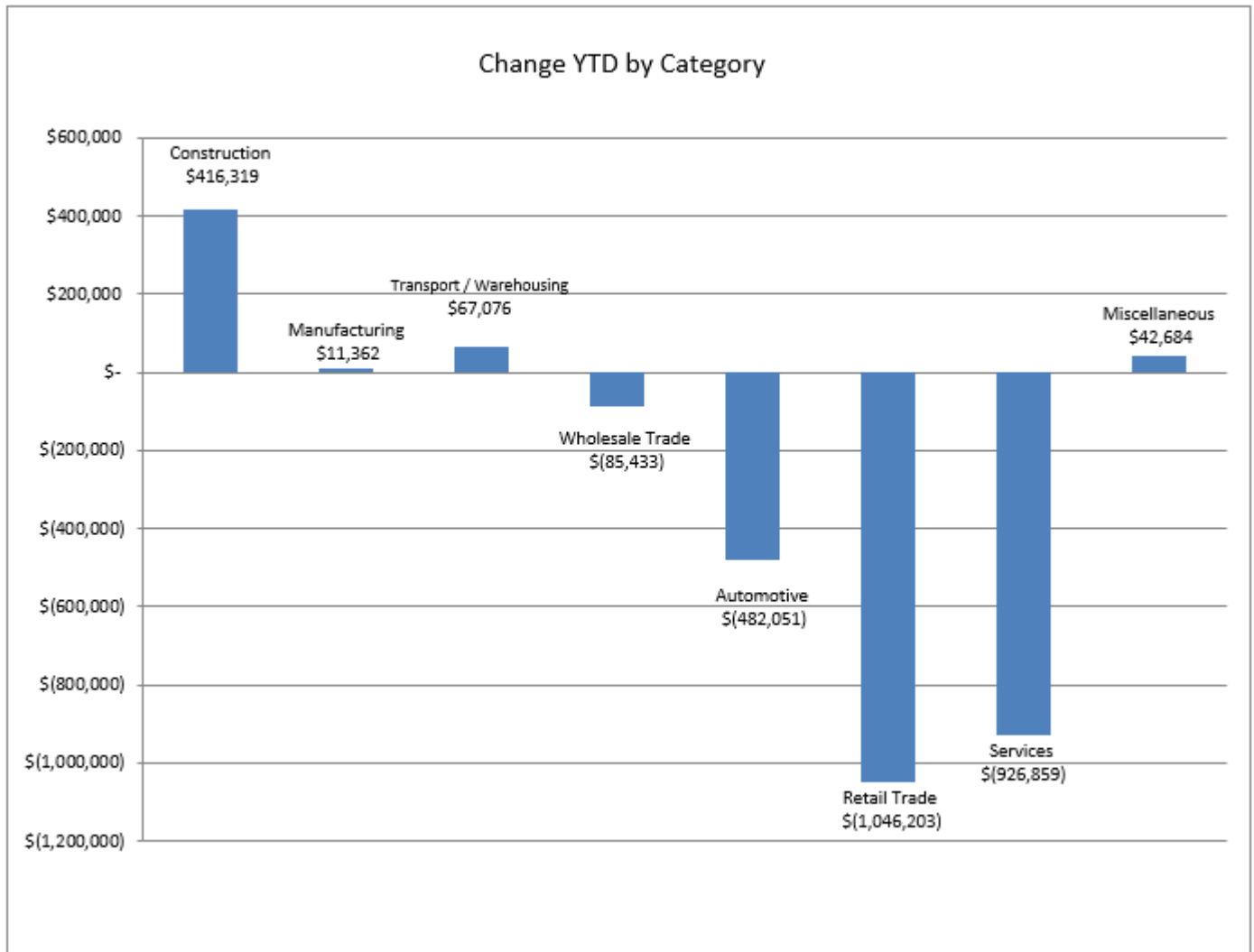
Schedule I - Sales Tax in \$1,000's

		----- BUDGET TO ACTUAL -----					
-- Month -- Collected Rec'd		2019	2020		Allocated Budget to Actual Variance		
		Actual	Allocated Budget	Actual	Amt	%	
Jan	Mar	\$ 1,365	\$ 1,364	\$ 1,459	94	7%	
Feb	Apr	1,314	1,313	1,138	(175)	-13%	
Mar	May	1,668	1,667	1,315	(352)	-21%	
Q-1 Totals		\$ 4,346	\$ 4,345	\$ 3,912	\$ (433)	-10%	
Apr	Jun	1,566	1,566	984	(581)	-37%	
May	Jul	1,503	1,503	1,146	(356)	-24%	
Jun	Aug	1,851	1,850	1,220	(631)	-34%	
Q-2 Totals		\$ 4,920	\$ 4,918	\$ 3,350	\$ (1,568)	-32%	
Jul	Sep	1,692	1,692				
Aug	Oct	1,642	1,641				
Sep	Nov	1,783	1,783				
Q-3 Totals		\$ 5,117	\$ 5,116	\$ -	\$ -	0%	
Oct	Dec	1,717	1,717				
Nov	Jan	1,677	1,677				
Dec	Feb	2,139	2,139				
Q-4 Totals		\$ 5,534	\$ 5,533	\$ -	\$ -	0%	
Totals		\$ 19,916	\$ 19,911	\$ 7,263	\$ (2,001)	-10.0%	

Est. Budget Impact due to COVID-19 \$ (7,612)

Adjusted Budget \$ 12,299

The 2020 adopted budget for sales taxes is \$19.911 million, which is nearly equal to total collections for 2019. This budget has been revised to reflect a \$7.6M anticipated impact from the COVID-19 pandemic; for a total adjusted budget of \$12.3M.



The chart above compares the prior year-to-date totals to the current year-to-date totals for the eight major categories of sales tax. Construction sales taxes are up significantly compared to the prior year; this is helping offset some declines in other categories.

The decline in Automotive is related to one-time revenues received in 2019.

Retail Trade and Services were the hardest hit categories from the economic shutdowns and reflect a combined \$2M decline from the prior year.

Schedule II - YTD sales tax collections - top ten industry classifications

Group	Name	YTD Current	YTD Prior	Dollar Diff.	% Diff.
236	Construction of Buildings	\$ 947,616	\$ 546,031	\$ 401,585	73.55%
452	General Merchandise Stores	\$ 712,051	\$ 917,603	\$ (205,552)	-22.40%
722	Food Services, Drinking Places	\$ 602,223	\$ 1,011,584	\$ (409,360)	-40.47%
444	Building Material and Garden	\$ 471,466	\$ 415,488	\$ 55,977	13.47%
423	Wholesale Trade, Durable Goods	\$ 402,733	\$ 481,138	\$ (78,405)	-16.30%
448	Clothing and Accessories	\$ 380,917	\$ 871,694	\$ (490,777)	-56.30%
541	Professional, Scientific, Tech	\$ 371,750	\$ 292,504	\$ 79,246	27.09%
453	Miscellaneous Store Retailers	\$ 346,913	\$ 405,508	\$ (58,595)	-14.45%
532	Rental and Leasing Services	\$ 340,254	\$ 334,422	\$ 5,833	1.74%
443	Electronics and Appliances	\$ 333,279	\$ 493,413	\$ (160,134)	-32.45%

Traditionally the top three categories have been General Merchandise, Food Services and Clothing & Accessories. During the ongoing pandemic and the mandated economic shut-downs, many of these businesses experienced significant declines in taxable sales. Meanwhile, the Construction sector has been performing strong and is currently in the top position with nearly \$950k of taxes collected year-to-date.

Schedule III - YTD ten largest declines (\$) in sales tax collections by industry class

Group	Name	YTD Current	YTD Prior	Dollar Diff.	% Diff.
448	Clothing and Accessories	\$ 380,917	\$ 871,694	\$ (490,777)	-56.30%
441	Motor Vehicle and Parts Dealer	\$ 197,854	\$ 682,519	\$ (484,665)	-71.01%
722	Food Services, Drinking Places	\$ 602,223	\$ 1,011,584	\$ (409,360)	-40.47%
721	Accommodation	\$ 138,924	\$ 354,126	\$ (215,202)	-60.77%
452	General Merchandise Stores	\$ 712,051	\$ 917,603	\$ (205,552)	-22.40%
443	Electronics and Appliances	\$ 333,279	\$ 493,413	\$ (160,134)	-32.45%
511	Publishing Industries	\$ 59,316	\$ 185,320	\$ (126,004)	-67.99%
517	Telecommunications	\$ 216,044	\$ 305,624	\$ (89,581)	-29.31%
713	Amusement, Gambling, and Rec	\$ 51,862	\$ 138,828	\$ (86,967)	-62.64%
423	Wholesale Trade, Durable Goods	\$ 402,733	\$ 481,138	\$ (78,405)	-16.30%

The chart above shows the ten largest declines compared to the prior year.

Many of these categories were directly impacted by the economic shutdowns and changes to consumer shopping habits. The decline in the Motor Vehicle and Parts Dealer category is related to one-time revenues received in 2019 from bus deliveries.

SALES TAX SUMMARY
JAN-JUN 2020 Sales Taxes (Received in Mar-Aug '20)

NAICS	CONSTRUCTION	19 TOTAL	19 YTD	20 YTD	YTD % Diff	NAICS	AUTOMOTIVE	19 TOTAL	19 YTD	20 YTD	YTD % Diff
236	Construction of Buildings	1,670,033	546,031	947,616	73.5%	441	Motor Vehicle & Parts Dealer	963,914	682,519	197,854	-71.0%
237	Heavy & Civil Construction	89,166	23,337	37,162	59.2%	447	Gasoline Stations	99,694	47,419	50,032	5.5%
238	Specialty Trade Contractors	459,712	204,516	205,424	0.4%		TOTAL AUTOMOTIVE	\$ 1,063,607	\$ 729,938	\$ 247,887	-66.0%
	TOTAL CONSTRUCTION	\$ 2,218,910	\$ 773,884	\$ 1,190,202			<i>Overall Automotive Change from Previous Year (\$482,051)</i>				
	<i>Overall Construction Change from Previous Year \$ 416,319 53.8%</i>						RETAIL TRADE	19 TOTAL	19 YTD	20 YTD	% Diff
	MANUFACTURING	19 TOTAL	19 YTD	20 YTD	YTD % Diff	442	Furniture & Home Furnishings	565,878	264,868	193,726	-26.9%
311	Food Manufacturing	26,862	12,903	11,649	-9.7%	443	Electronics & Appliances	1,149,541	493,413	333,279	-32.5%
312	Beverage & Tobacco Products	12,837	6,150	5,317	-13.5%	444	Building Material & Garden	835,211	415,488	471,466	13.5%
313	Textile Mills	130	13	1,537	11572.0%	445	Food & Beverage Stores	311,945	148,533	138,579	-6.7%
314	Textile Product Mills	11,628	5,571	4,429	-20.5%	446	Health & Personal Care	274,638	139,187	75,833	-45.5%
315	Apparel Manufacturing	367	261	283	8.6%	448	Clothing & Accessories	1,996,280	871,694	380,917	-56.3%
316	Leather & Allied Products	73	34	53	54.0%	451	Sporting Goods, Hobby, Books	508,525	226,448	152,679	-32.6%
321	Wood Product Manufacturing	3,105	1,121	30,558	2626.3%	452	General Merchandise Stores	2,167,481	917,603	712,051	-22.4%
322	Paper Manufacturing	22,299	10,828	9,556	-11.7%	453	Miscellaneous Store Retailers	857,091	405,508	346,913	-14.4%
323	Printing & Related Support	25,202	7,283	13,956	91.6%	454	Nonstore Retailers	137,655	60,604	91,701	51.3%
324	Petroleum & Coal Products	103	54	27	-50.4%		TOTAL RETAIL TRADE	\$ 8,804,245	\$ 3,943,346	\$ 2,897,143	-26.5%
325	Chemical Manufacturing	4,124	2,215	1,299	-41.3%		<i>Overall General Retail Change from Previous Year (\$1,046,203)</i>				
326	Plastic & Rubber Products	4,068	2,720	1,158	-57.4%		SERVICES	19 TOTAL	19 YTD	20 YTD	YTD % Diff
327	Nonmetallic Mineral Products	5,827	4,175	3,374	-19.2%	51X	Information	988,506	536,851	321,594	-40.1%
331	Primary Metal Manufacturing	872	641	164	-74.5%	52X	Finance & Insurance	65,075	26,139	49,702	90.1%
332	Fabricated Metal Mfg Products	6,122	2,810	3,361	19.6%	53X	Real Estate, Rental, Leasing	707,128	348,293	314,835	-9.6%
333	Machinery Manufacturing	4,188	2,129	2,388	12.2%	541	Professional, Scientific, Tech	704,072	292,504	371,750	27.1%
334	Computer & Electronic Products	14,628	8,914	7,451	-16.4%	551	Company Management	53	37	0	0.0%
335	Electric Equipment, Appliances	18,412	7,095	14,183	99.9%	56X	Admin, Supp, Remed Svcs	325,783	157,607	154,524	-2.0%
336	Transportation Equipment Mfg	41,256	23,928	824	-96.6%	611	Educational Services	5,953	2,851	2,440	-14.4%
337	Furniture & Related Products	7,015	4,323	2,399	-44.5%	62X	Health Care Social Assistance	85,567	36,842	33,833	-8.2%
339	Miscellaneous Manufacturing	29,576	12,157	12,721	4.6%	71X	Arts & Entertainment	314,765	156,286	56,363	-63.9%
	TOTAL MANUFACTURING	\$ 238,694	\$ 115,326	\$ 126,688	9.9%	721	Accommodation	744,823	354,126	138,924	-60.8%
	<i>Overall Manufacturing Change from Previous Year \$11,362 9.9%</i>					722	Food Services, Drinking Places	2,080,421	1,011,584	602,223	-40.5%
	TRANSPORTATION & WAREHOUSING	19 TOTAL	19 YTD	20 YTD	YTD % Diff	81X	Other Services	227,568	123,070	70,313	-42.9%
481	Air Transportation	0	0	-2,482	0.0%	92X	Public Administration	14,275	7,800	10,632	36.3%
482	Rail Transportation	46	25	13	-50.0%		TOTAL SERVICES	\$ 6,263,989	\$ 3,053,990	\$ 2,127,131	-30.3%
483	Water Transportation	305	264	113	-57.0%		<i>Overall Services Change from Previous Year (\$926,859)</i>				
484	Truck Transportation	1,916	1,070	778	-27.3%		MISCELLANEOUS	19 TOTAL	19 YTD	20 YTD	YTD % Diff
485	Transit and Ground Passengers	859	566	408	-28.0%	000	Unknown	0	0	0	0.0%
487	Scenic and Sightseeing Tran	1,338	597	197	-67.0%	111-115	Agriculture, Forestry, Fishing	1,991	214	410	91.7%
488	Transportation Support	55,956	24,797	94,983	283.0%	211-221	Mining & Utilities	1,235	676	233	-65.5%
491	Postal Services	797	423	336	-20.6%	999	Unclassifiable Establishments	104,627	60,124	103,055	71.4%
492	Couriers & Messengers	2,494	1,341	637	-52.5%		MISCELLANEOUS TOTAL	\$ 107,853	\$ 61,014	\$ 103,698	70.0%
493	Warehousing & Storage	1,845	904	2,081	130.2%		<i>Overall Miscellaneous Change from Previous Year \$42,684 70.0%</i>				
	TOTAL TRANSP & WHSING	\$ 65,555	\$ 29,988	\$ 97,063	223.7%		19 TOTAL	19 YTD	20 YTD	% Diff	
	<i>Overall Transportation Change from Previous Year \$67,076 223.7%</i>						GRAND TOTALS	\$19,916,461	\$9,265,684	\$7,262,578	
	WHOLESALE TRADE	19 TOTAL	19 YTD	20 YTD	YTD % Diff		<i>Grand Total Change from Previous Year (\$2,003,105) -21.62%</i>				
423	Whls Trade-Durable Goods	987,675	481,138	402,733	-16.3%		<i>Grand Total Change from Previous Year - Without New Construction (\$2,419,424) -28.49%</i>				
424	Whls Trade-Nondurable Goods	163,323	75,352	68,276	-9.4%						
425	Wholesale Electronic Markets	2,609	1,708	1,756	2.8%						
	WHOLESALE TRADE TOTAL	\$ 1,153,607	\$ 558,198	\$ 472,765	-15.3%						
	<i>Overall Wholesale Change from Previous Year (\$85,433) -15.3%</i>										

Gambling, Admission and Telecommunications Tax revenue totals in the charts below reflect the quarter in which the economic activity occurred (accrual basis) as opposed to when the revenue is received (cash basis). The budgets for Gambling and Admissions Taxes were revised down based on the anticipated impacts of the economic shutdowns related to the ongoing pandemic.

Schedule IV - Gambling Tax ^(a)

Quarter Earned	2019 Actual	(c) 2020 Actual	2020 Allocated Budget	Revised COVID Budget	INCREASE (DECREASE)			
					YEAR OVER YEAR		COVID BUDGET VARIANCE	
					Amount	%	Amount	%
Q1	\$ 999,638	\$ 738,821	\$ 1,116,025	\$ 565,434	\$ (260,818)	-26%	\$ 173,386	31%
Q2	947,463	215,265	1,057,776	535,922	(732,198)	-77%	(320,657)	-60%
Q3	1,029,502		1,149,366	582,326				
Q4	880,337		982,834	497,953				
Totals	\$ 3,856,941	\$ 954,086	\$ 4,306,000	\$ 2,181,636	\$ (993,016)	-51%	\$ (147,271)	15%

Schedule V - Admissions Tax

Quarter Earned	2019 Actual	(c) 2020 Actual	2020 Allocated Budget	Revised COVID Budget	INCREASE (DECREASE)			
					YEAR OVER YEAR		COVID BUDGET VARIANCE	
					Amount	%	Amount	%
Q1	\$ 272,521	\$ 192,693	\$ 247,790	\$ 133,933	\$ (79,828)	-29%	\$ 58,760	44%
Q2	251,285	632	228,481	123,497	(250,653)	-100%	(122,865)	-99%
Q3	214,495		195,029	105,416				
Q4	218,532		198,700	107,400				
Totals	\$ 956,833	\$ 193,325	\$ 870,000	\$ 470,246	\$ (330,482)	-63%	\$ (64,105)	19%

The Telecommunications Utility Tax was not anticipated to have measurable impacts related to the coronavirus pandemic; this tax has been on a downward trend over the past few years. The trend is reflective of consumer preferences and changes in the communications industry.

Schedule VI - Telecommunications Utility Tax ^(b)

Quarter Earned	2019 Actual	(c) 2020 Actual	2020 Allocated Budget	INCREASE (DECREASE)			
				YEAR OVER YEAR		BUDGET VARIANCE	
				Amount	%	Amount	%
Q1	\$ 236,604	\$ 212,349	\$ 340,648	\$ (24,255)	-10%	\$ (128,298)	-38%
Q2	228,313	228,598	328,710	286	0%	(100,112)	-30%
Q3	227,053		326,897				
Q4	255,078		367,246				
Totals	\$ 947,048	\$ 440,948	\$ 1,363,500	\$ (23,969)	-5%	\$ (228,410)	-34%

(a) Gambling tax includes card games, punch boards, pull tabs and amusement games.

(b) Telecommunications Utility tax includes cellular, pager and telephone usage.

(c) Actuals reflected in Schedules IV, V and VI are amounts earned for the quarter.