



Staff Report

File #: 23-0975

REQUEST FOR CITY COUNCIL ACTION

DATE: 12/06/2023

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:

QUARTERLY SALES TAX REPORTS - 2023, QUARTER 1 (JANUARY - MARCH) AND QUARTER 2 (APRIL - JUNE)

EXECUTIVE SUMMARY:

HdL Companies is contracted by the City of Corona to provide sales tax consulting services, which includes quarterly data reports. The sales tax reports for Quarter 1 2023 and Quarter 2 2023 are provided to the City Council as a receive and file item.

RECOMMENDED ACTION:

That the City Council receives and files the quarterly sales tax information from HdL Companies for Quarter 1 2023 (January - March) and Quarter 2 2023 (April - June).

BACKGROUND & HISTORY:

HdL Companies is contracted to provide sales tax consulting services for the City. On a quarterly basis, they review and analyze the City's sales tax activity. Their resources provide them with information to understand sales tax trends and how the City is performing compared to agencies near Corona, agencies in Riverside County, Southern California, and the State. There is a one-quarter lag in when the information is available to the HdL Companies for their review and analysis. This information was previously provided to the City Council at the Committee of the Whole. With the elimination of the Committee, the information is now submitted as a receive and file item at a regular City Council meeting.

ANALYSIS:

The quarterly sales tax reports are provided for Quarter 1 2023 (January - March) and Quarter 2 2023 (April - June). Highlights of the reports are included below. Additional details can be found in the attached quarterly reports.

Quarter 1 2023 (January - March)

Corona's sales tax receipts from January through March 2023 were 21.4% above the same period in 2022, largely due to the recovery of a previous misallocation garnered by the City's ongoing point-of-sale audit program. Additionally, a new business-industrial operation in Corona has a significant positive impact on the quarter's results. Excluding this item and other reporting aberrations, actual sales tax activity was up by 6.6%. During the same period, taxable sales for all of Riverside County declined by 1.5%, the Southern California region was down by 0.9%, and the State of California was down by 1.1% (net of aberrations).

Measure X sales tax activity underperformed the normal Bradley-Burns tax activity. As a destination-based tax, the revenue did not benefit from the new business-industrial operation since the entity ships most of its goods to buyers in other jurisdictions.

The first quarter of 2023 experienced heavy rainfall and a slight pullback from consumers during this post-holiday period. Throughout the State, the building and construction sector was the most impacted by the wet weather conditions, especially for contractors and paint/glass vendors. The City's largest sales tax categories for Quarter 1 were Building and Construction, Business and Industry, and Countywide Sales Tax Pool.

Quarter 2 2023 (April - June)

Corona's sales tax receipts experienced an increase of 17.5% from April - June 2023 as compared to the same period in 2022. A portion of the growth is the result of an audit recovery of revenue previously misallocated to other jurisdictions. Additionally, a new business-industrial operation in Corona has a significant positive impact on the quarter's results. Excluding this item and other reporting aberrations, actual sales tax activity was up by an impressive 10.3%, especially compared with other jurisdiction activity. During the same period, taxable sales for all of Riverside County was down by 2.9%, the Southern California region was down by 2.9%, and the State of California declined by 2.9% (net of aberrations).

Similar to Quarter 1, Measure X sales tax activity underperformed the normal Bradley-Burns tax activity. As a destination-based tax, the revenue did not benefit from the new business-industrial operation since the entity ships most of its goods to buyers in other jurisdictions.

The second quarter of 2023 experienced continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth. The City's largest sales tax categories for Quarter 2 were Building and Construction, Business and Industry, and Countywide Sales Tax Pool.

FINANCIAL IMPACT:

There is no financial impact associated with the recommended action.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California

Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action is to receive and file quarterly sales tax reports, and there is no possibility that approval of the recommended actions will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: KIM SITTON, FINANCE DIRECTOR

REVIEWED BY: BRETT CHANNING, ASSISTANT CITY MANAGER

Attachments:

1. Exhibit 1 - 2023-Q1 Sales Tax Update Report
2. Exhibit 2 - 2023-Q1 Sales Tax Update Newsletter
3. Exhibit 3 - 2023-Q2 Sales Tax Update Report
4. Exhibit 4 - 2023-Q2 Sales Tax Update Newsletter
5. Exhibit 5 - HdL California Consensus Forecast Sept 2023