



Staff Report

File #: 24-0578

REQUEST FOR CITY COUNCIL ACTION

DATE: 08/07/2024

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:
QUARTERLY SALES TAX REPORT - 2024, QUARTER 1 (JANUARY - MARCH)

EXECUTIVE SUMMARY:

The City of Corona contracts with HdL Companies to provide sales tax consulting services, which include quarterly data reports. The sales tax report for Quarter 1 2024 is provided to the City Council as a receive and file item.

RECOMMENDED ACTION:

That the City Council receive and file the quarterly sales tax information from HdL Companies for Quarter 1 2024 (January - March).

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.

ANALYSIS:

The quarterly sales tax report is provided for Quarter 1 2024 (January - March). Highlights of the report are included below. Additional details can be found in the attached quarterly report and exhibits.

Quarter 1 2024 (January - March)

Corona's sales tax receipts from January through March 2024 were 12.2% below the same period in 2023, largely due to a significant audit recovery in the comparison year. Excluding this and other anomalies, actual sales increased by 2.6%.

Sales of contractor supplies surged, recovering from last year's decline caused by an unusually rainy winter. Fulfillment centers benefited from the ongoing shift to online shopping, and sales of heavy industrial equipment increased due to a local entity's acquisition and the opening of a new local supplier.

On the other hand, allocations from the countywide use-tax pool were negatively impacted by the previous audit recovery, as funding is based on proportional cash receipts among local jurisdictions. Auto sales fell due to high financing costs, making purchases more expensive.

Measure X underperformed compared to the Bradley-Burns results because, as a destination-based tax, it did not benefit from the surge in contractor construction supply or fulfillment sales, which were mostly delivered to other jurisdictions.

Excluding anomalies, taxable sales for Riverside County declined by 0.3%, while the Southern California region remained flat.

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 a quarterly sales tax report, 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 - 2024-Q1 Sales Tax Update Report
2. Exhibit 2 - 2024-Q1 Sales Tax Update Newsletter
3. Exhibit 3 - 2024-Q1 HdL California Consensus Forecast