
Authority Board **STAFF REPORT**

Meeting Date: May 17, 2023

Subject	Accept Quarterly Sales Tax Revenue Report for the Period Ended December 31, 2022
Summary of Issues	This report contains a summary of sales tax revenues, including analysis and comparisons against prior quarterly periods.
Recommendations	Staff seeks acceptance of the quarterly sales tax revenue report for the period ended December 31, 2022.
Staff Contact	Brian Kelleher
Financial Implications	None
Options	N/A
Attachments	A. Quarter 4 Sales Tax Update by Hinderliter, de Llamas and Associates (HdL), Quarterly Comparison B. Sales Tax Consensus Forecast by HdL
Changes from Committee	N/A

Background

Sales tax revenues are collected by the California Department of Tax and Fee Administration (CDTFA) and distributed to the jurisdictions in monthly installments (advances) based on quarterly estimates for taxable sales for the county. Actual sales tax revenues are accounted for in a “clean-up payment” four times a year. For the fiscal year ending June 30, 2022, the clean-up payment occurred in August.

Sales Tax Revenues

The Authority entered into a service agreement with HdL to provide sales tax transaction and audit services. In addition to the audit and recovery of tax revenues, HdL provides two other major services that are extremely beneficial to the Authority. HdL provides analysis of sales tax revenue on a quarterly and annual basis that is vital in the estimation of sales tax revenue to be received and projected by the Authority in its budgeting and strategic plan updates. However, the data from CDTFA is not available for three months following the end of each quarter. The Authority has granted HdL access to the data released from CDTFA for the reports and analysis prepared by HdL.

For the second quarter of Fiscal Year (FY) 2022-23 (October-December 2022), the Authority's adjusted for economic data sales tax revenues totaled \$33.1 million. Compared to the prior fiscal year, this is an increase of \$1.9 million or 6.2%. The Authority reports in the financials sales tax revenue collected on a cash basis vs. adjusted for economic data sales based on transaction date. HdL provides reports supporting both methods as it is imperative to view historical data and forecast future revenue trends based on an actual date of point-of-sale transactions.

Major sales tax retailers are required to report monthly and during the pandemic, many retailers have been late in reporting and filing sales taxes. These delinquent payments will be paid to the Authority when received by CDTFA.

The sales tax revenue receipts (cash basis) received by the Authority for the second quarter (October – December 2022) is \$32.7 million. Compared to the prior fiscal year, this is an increase of \$1.3 million or 4.2%.

The sales tax revenue receipts (cash basis) received by the Authority for the first two quarters (July – December 2022) is \$63.7 million. Compared to the prior fiscal year, this is an increase of \$3.0 million or 5.0%. The current budget projection for FY 2022-23 is \$110 million.

These missing and late payments from prior quarters will continue this fiscal year and beyond until all delinquencies are collected. These types of collections are normal in year-to-year collections, but the pandemic has seen much higher than usual reporting delays by retailers. With these delinquencies, the analysis of adjusted for economic data reporting is essential in

tracking the effects of the pandemic and planning for future sales tax revenue estimates.

The table below will highlight the difference in receipts based on the adjusted for economic data to reflect date of point-of-sale transactions for reporting purposes. Also, the table highlights which major industry groups have been impacted by the pandemic.

Major Industry Group	Adjusted for (Date of Transaction) Receipts			
	Oct-Dec 2022	Oct-Dec 2021	\$ Change	% Change
General Consumer Goods	11,246,650	11,066,680	179,970	4.6%
Autos and Transportation	5,873,385	5,468,278	405,107	7.7%
Business and Industry	4,533,975	4,292,997	240,978	2.6%
Restaurants and Hotels	3,227,540	2,929,304	298,236	8.6%
Fuel and Service Stations	3,124,372	2,407,771	716,601	25.2%
Building and Construction	2,909,146	2,836,649	72,497	-1.8%
Food and Drugs	1,814,991	1,805,121	9,870	0.5%
Transfers & Unidentified	386,569	367,480	19,089	6.3%
Total	33,116,628	31,174,280	1,942,348	6.2%

Staff continue to monitor sales tax receipts and will keep the Administration and Projects Committee and Authority Board apprised.

Staff seeks acceptance of the quarterly sales tax revenue report for the period ended December 31, 2022.

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