

Q4 2018



City of Upland Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Upland In Brief

Upland's receipts from October through December were 2.1% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were down 0.5%.

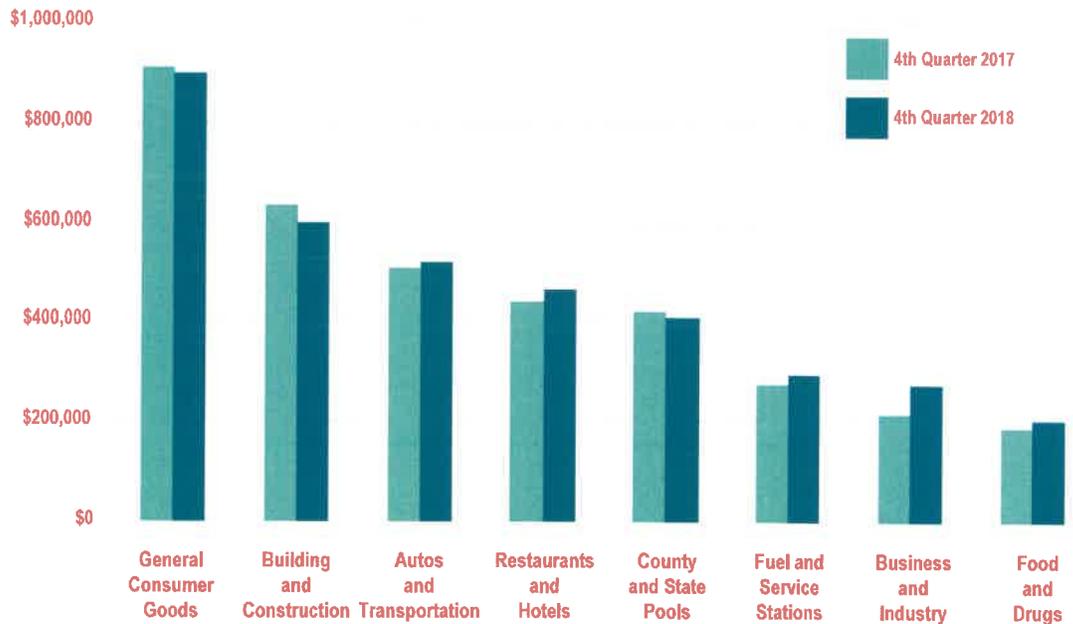
Contractor sales were lower in the wet winter quarter. Auto and transportation related receipts also declined.

Consumer shopping habits continue to change rapidly with the rise of internet alternatives, which may have resulted in the closure of a national specialty store chain that had a local presence.

The recent opening of new family apparel, grocery and quick-service restaurant outlets helped to partially offset these negative events. Business and industrial returns were also strong.

Net of aberrations, taxable sales for all of San Bernardino County grew 3.3% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Kohls
Bed Bath & Beyond	Lowes
Burlington	Marshalls
Cab West/Volvo Leasing	Mountain View Chevrolet
Chevron	Nordstrom Rack
Circle K	RV Spa
Daniel Mechanical	Stater Bros
Dick's Sporting Goods	Target
Euclid Arco	TJ Maxx
Ford of Upland	USA Gasoline
Holliday Rock	Vons Fuel
Home Depot	Walmart
In N Out Burger	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$6,270,254	\$6,861,192
County Pool	797,310	895,052
State Pool	3,298	3,405
Gross Receipts	\$7,070,861	\$7,759,650

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

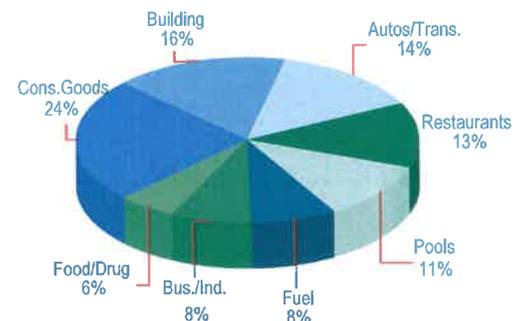
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Upland This Quarter



UPLAND TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Upland		County	HdL State
	Q4 '18*	Change	Change	Change
Building Materials	366.4	0.9%	3.5%	5.5%
Casual Dining	163.4	-2.2%	-0.2%	2.5%
Contractors	— CONFIDENTIAL —	—	15.8%	17.5%
Convenience Stores/Liquor	68.9	3.6%	4.7%	2.7%
Department Stores	— CONFIDENTIAL —	—	3.6%	-3.4%
Discount Dept Stores	— CONFIDENTIAL —	—	2.4%	3.9%
Electronics/Appliance Stores	81.5	-6.4%	0.6%	-1.6%
Family Apparel	98.9	37.2%	6.6%	0.5%
Fast-Casual Restaurants	60.3	10.5%	7.7%	4.4%
Grocery Stores	91.1	6.1%	-9.6%	-11.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	1.0%	5.8%
Quick-Service Restaurants	228.3	10.6%	7.6%	6.6%
Service Stations	293.1	7.4%	30.0%	28.5%
Specialty Stores	117.7	-21.1%	-11.3%	-10.7%
Sporting Goods/Bike Stores	58.9	-1.1%	1.7%	-2.3%
Total All Accounts	3,262.9	2.7%	8.2%	7.0%
County & State Pool Allocation	410.4	-2.5%	2.7%	8.6%
Gross Receipts	3,673.3	2.1%	7.6%	7.2%