

Q2 2019



City of Upland Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Upland In Brief

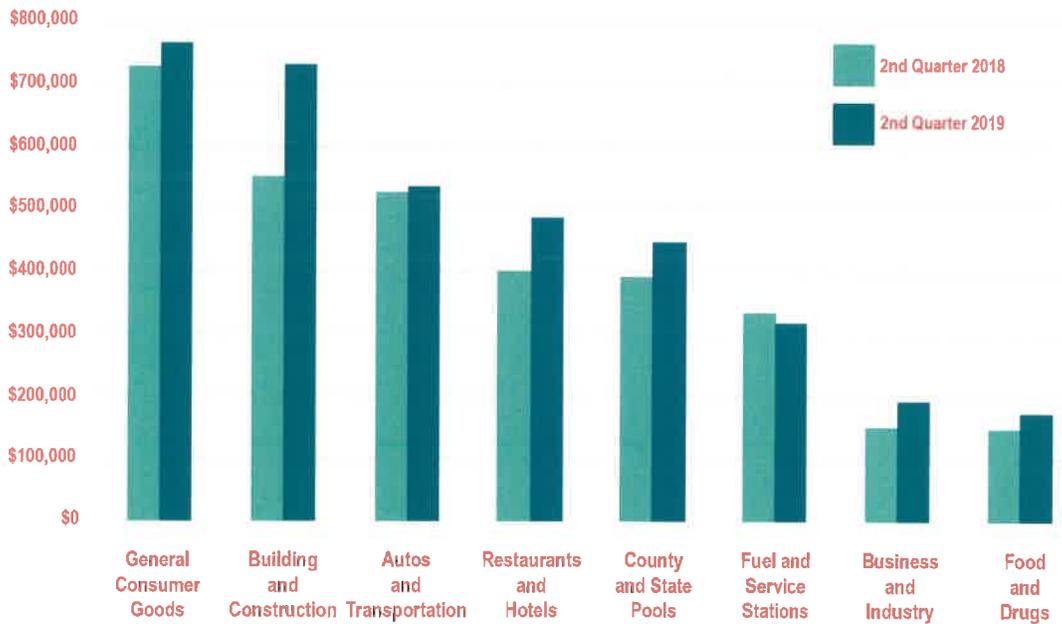
Upland's allocation of sales and use tax from its April through June sales was 13.0% higher than the second quarter of 2018. However, the allocation was inflated by state transition problems with its new computer system that delayed payments in last year's comparable quarter. Receipts were down 1.1% after factoring for these and other reporting anomalies.

Declining sales within the business-industrial and auto-transportation groups plus the previous close-out of a major retailer were the primary factors contributing to the actual decrease.

The losses were largely offset by recent additions to the quick-service restaurant, family apparel and used auto categories. An increase in receipts from the countywide use tax allocation pool further helped contribute to the offset.

Adjusted for state computer issues and accounting aberrations, sales and use tax receipts for all of San Bernardino County rose 2.6% over the comparable time period while the Southern California region as a whole, was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Marshalls
Chick Fil A	Mountain View Chevrolet
Circle K	Nordstrom Rack
CNC Motors	RV Spa
Dick's Sporting Goods	Shell
Euclid Arco	Stater Bros
Ford of Upland	Target
G&M Oil	TJ Maxx
Holiday Rock	USA Gasoline
Home Depot	Verizon Wireless
In N Out Burger	Vons Fuel
Kohls	Walmart
Lowes	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$11,804,948	\$13,023,012
County Pool	1,513,117	1,737,794
State Pool	6,649	6,426
Gross Receipts	\$13,324,714	\$14,767,232

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter in 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. **Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.**

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value-priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

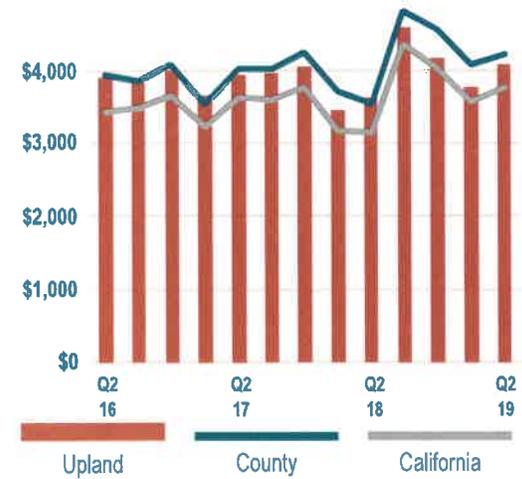
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

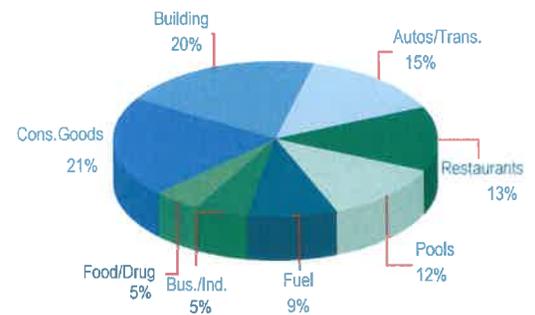
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

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
	Q2 '19*	Change	Change	Change
Auto Repair Shops	62.5	23.4%	16.5%	21.4%
Building Materials	395.2	57.5%	29.4%	34.1%
Casual Dining	171.6	22.4%	30.3%	24.5%
Contractors	— CONFIDENTIAL —		45.1%	26.8%
Department Stores	72.6	-35.2%	-22.2%	-24.7%
Discount Dept Stores	— CONFIDENTIAL —		25.6%	26.3%
Electronics/Appliance Stores	88.7	9.2%	29.0%	7.0%
Family Apparel	97.6	51.8%	47.1%	45.3%
Fast-Casual Restaurants	61.7	1.4%	17.5%	18.6%
Grocery Stores	83.1	13.6%	8.7%	9.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-0.8%	5.4%
Quick-Service Restaurants	240.9	31.5%	10.5%	15.8%
Service Stations	317.7	-4.6%	49.6%	51.4%
Specialty Stores	108.0	-21.1%	-12.6%	-8.1%
Used Automotive Dealers	84.9	211.2%	124.8%	90.0%
Total All Accounts	3,203.3	12.8%	19.9%	20.1%
County & State Pool Allocation	447.3	14.4%	21.5%	22.4%
Gross Receipts	3,650.6	13.0%	20.1%	20.4%