

Q4 2019



City of Upland Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Upland In Brief

Upland's receipts from October through December were 1.9% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 2.5%.

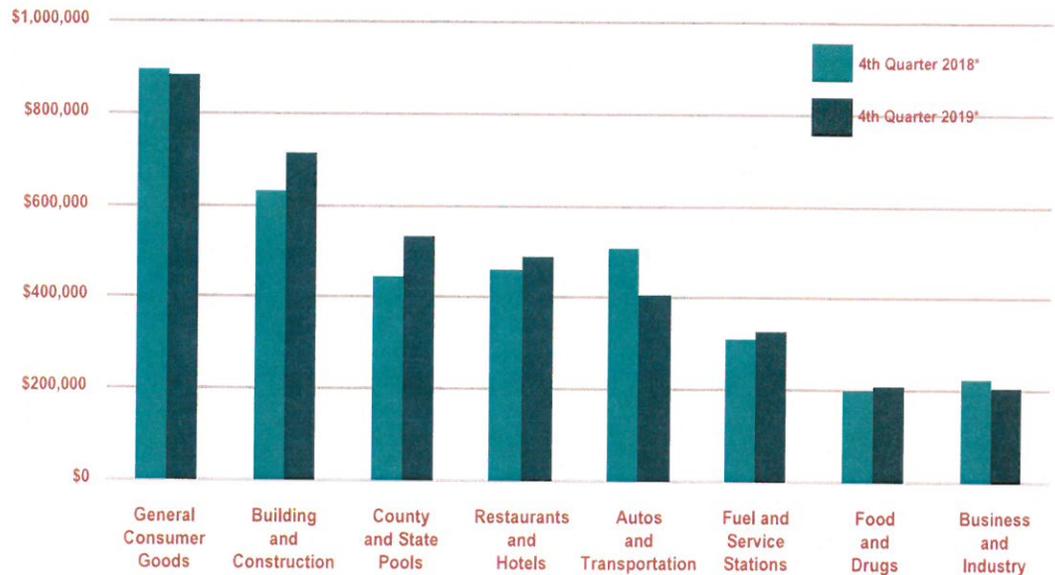
Like most agencies across the state, the largest increase in actual sales came from a 19.5% increase in the City's allocation from the countywide use tax pool. Statewide, pool results accounted for 95% of all sales tax growth, boosted by sharply higher receipts from on-line shopping as a result of the Way-fair decision and implementation of the marketplace facilitator provision that required additional out of state companies to collect sales tax. The City's point of sale actual results were up 0.2%.

At the local level, the bright spots included a 36.8% spike in sales of contractors' supplies and a 20.5% increase in family apparel caused by the recent opening of a new store. Restaurant sales were up 5.8%, while fuel sales were 5.0% higher.

The gains were offset by a 20.2% drop in the automotive sector, lower business and industry sales, and a 3.4% decline in sales from existing retail outlets.

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 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Kohls
Bed Bath & Beyond	Lowe's
Burlington	Marshalls
Chick Fil A	Mountain View Chevrolet
Circle K	Nordstrom Rack
Dick's Sporting Goods	RV Spa
Euclid Arco	Stater Bros
Ford of Upland	Target
G&M Oil	TJ Maxx
Hobby Lobby	USA Gasoline
Holliday Rock	Vons Fuel
Home Depot	Walmart
In N Out Burger	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$6,861,192	\$6,363,432
County Pool	895,052	915,150
State Pool	3,405	2,772
Gross Receipts	\$7,759,650	\$7,281,353

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California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

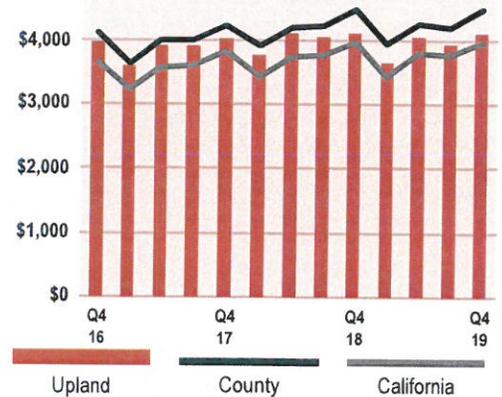
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

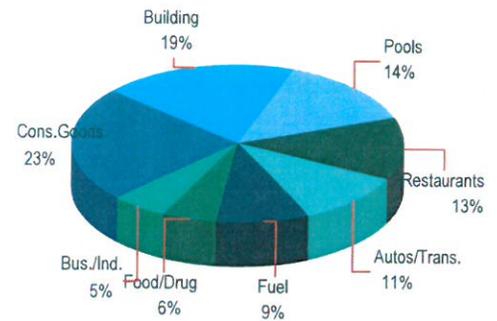
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Upland This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

UPLAND TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Upland Q4 '19*	Upland Change	County Change	HdL State Change
Auto Repair Shops	54.9	0.6%	-4.5%	-1.0%
Building Materials	373.2	0.4%	-0.5%	1.4%
Casual Dining	179.1	7.8%	6.5%	3.8%
Contractors	290.8	36.8%	13.2%	-4.4%
Convenience Stores/Liquor	68.4	2.8%	-0.5%	-0.1%
Department Stores	— CONFIDENTIAL —	—	-1.0%	-4.8%
Discount Dept Stores	— CONFIDENTIAL —	—	2.6%	3.6%
Electronics/Appliance Stores	75.8	-11.0%	-12.2%	-6.6%
Family Apparel	121.5	20.5%	3.6%	1.3%
Fast-Casual Restaurants	59.1	-1.9%	4.8%	4.3%
Grocery Stores	100.7	3.1%	3.5%	1.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-4.5%	-3.4%
Quick-Service Restaurants	238.4	8.8%	1.9%	1.9%
Service Stations	325.1	5.0%	2.1%	0.2%
Specialty Stores	110.6	-4.9%	-9.1%	-3.8%
Total All Accounts	3,231.3	0.2%	0.8%	0.2%
County & State Pool Allocation	531.1	19.4%	21.6%	26.7%
Gross Receipts	3,762.4	2.5%	3.3%	4.2%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.