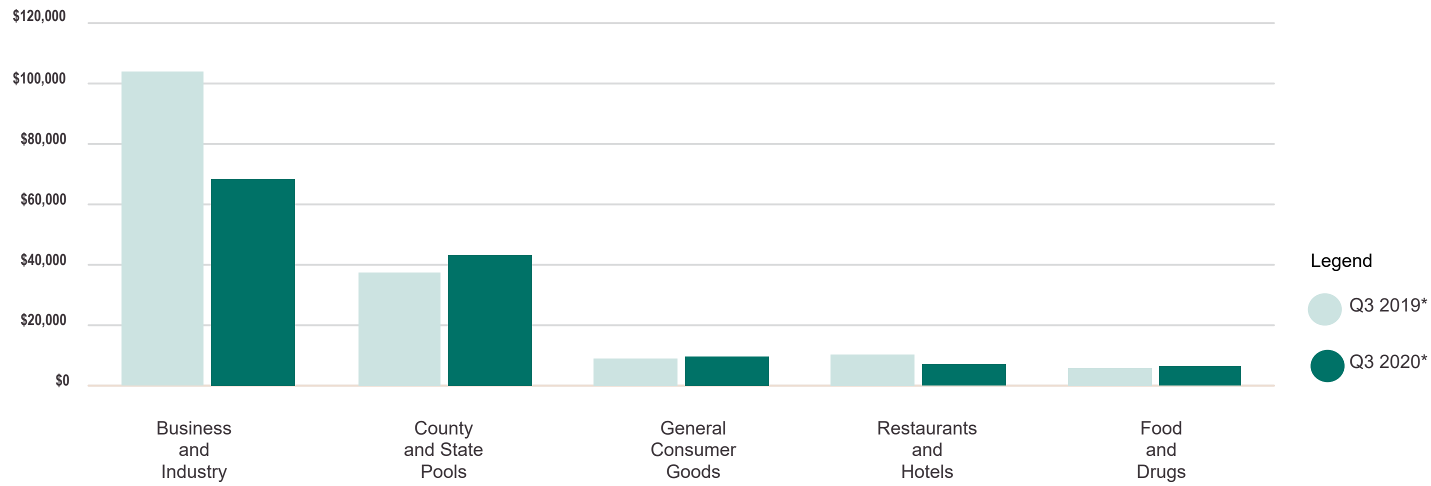
CITY OF HUGHSON
SALES TAX UPDATE
3Q 2020 (JULY - SEPTEMBER)

HUGHSON	-11.1%	4.6%	-0.9%
TOTAL: $ 236,811	3Q2020	COUNTY	STATE

Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF HUGHSON HIGHLIGHTS

Hughson's cash receipts from July through September were 11.9% below the third sales period in 2019. Excluding reporting aberrations, actual taxable sales were down 11.1%, while place-of-sale receipts dropped 15.5%.

The City's volatile business-industry sector accounted for a majority of the local tax decline due to lower taxable sales from top tax generators.

Regionally, the San Joaquin Valley reported an increase above the statewide average from the building-construction industry with growth just above 10% compared to the same period one year ago. Receipts from fuel providers throughout the region reported declines resulting from lower consumption as well as depressed pricing compared to 2019.

Hughson's local tax proceeds received from their share of the countywide use tax pool increased 6.4%. Overall, the Stanislaus County Pool distributed nearly $5 million, a 28% increase of indirect local tax to county jurisdictions in the third quarter of 2020. A combination of new local tax related to marketplace facilitators and a shift in consumer behavior to increased online shopping were the major contributing factors to the growth in the pool.

Net of aberrations, taxable sales for all of Stanislaus County grew 4.6% over the comparable time period; the San Joaquin Valley was up 8.9%. story yet for this agency and quarter.

TOP 25 PRODUCERS

Boulet Consulting
California Trusframe
Coco's Taqueria
Dollar General
Dollar Tree
Golden Bowl
Grossi Fabrication
Hughson Asian Kitchen
Hughson Automotive
Hughson Chevron
Hughson Farm Supply
La Perla Tapatia
Lacy's Furniture & Home Decor
Master Blasterz
Mid Valley Agricultural Services
Napa Auto Parts
Pizza Factory
Pure Water Pool Service
Quick N Save
Santa Fe Market & Liquor
Save Mor Market
Slick Fork BBQ
Subway
Valley Tool & Manufacturing
Wilbur Ellis

STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/ equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

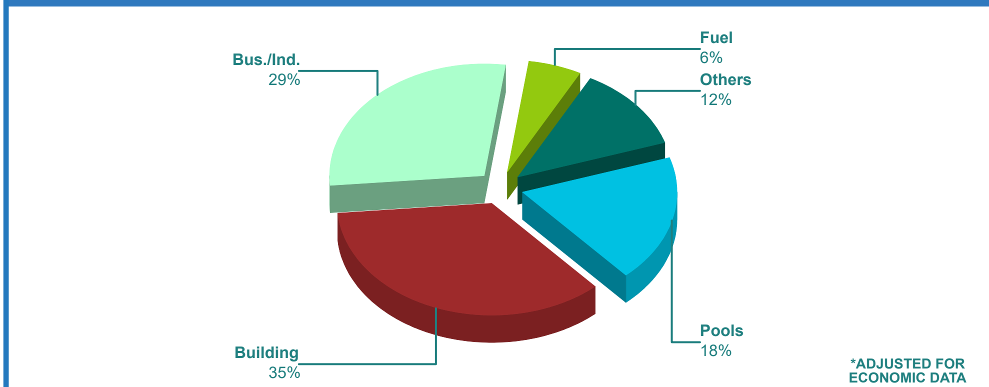
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up of each jurisdiction's tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP

Hughson This Quarter*



SALES PER CAPITA*