

Q2 2020



City of Hughson Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Hughson In Brief

Hughson's receipts from April through June were 12.0% below the second sales period in 2019. Excluding reporting aberrations, actual sales were down 21.5%.

Autos and transportation exceeded expectations in 2Q20 as increases in May and June were supported by fiscal stimulus payments.

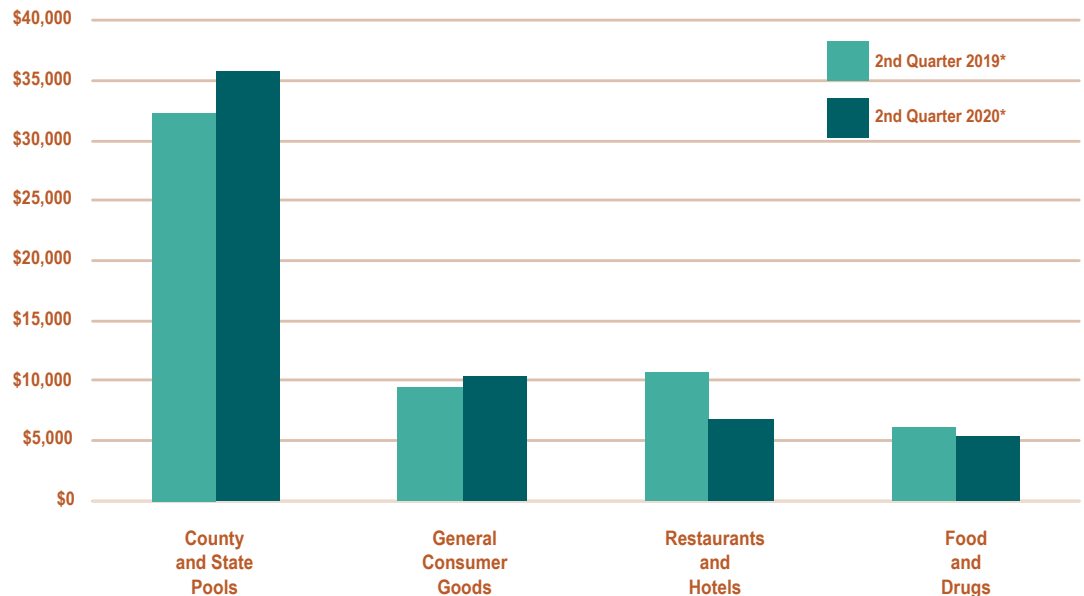
General consumer goods reported mixed results with consumers shopping for things to enhance their work-from-home experiences, while other categories experienced significant declines brought on by store closures.

The restaurants-hotels sector struggled during the second quarter, with results improving as more restaurants and hotels begin partial reopening plans.

Allocations from the countywide pools continue to show strong growth as new retailers begin collecting sales and use tax as a result of the Wayfair decision and consumers turn to online shopping while staying safe at home.

Net of aberrations, taxable sales for all of Stanislaus County declined 7.3% over the comparable time period; the San Joaquin Valley was down 1.7%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$904,035	\$826,822
County Pool	126,855	149,145
State Pool	447	426
Gross Receipts	\$1,031,337	\$976,393

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

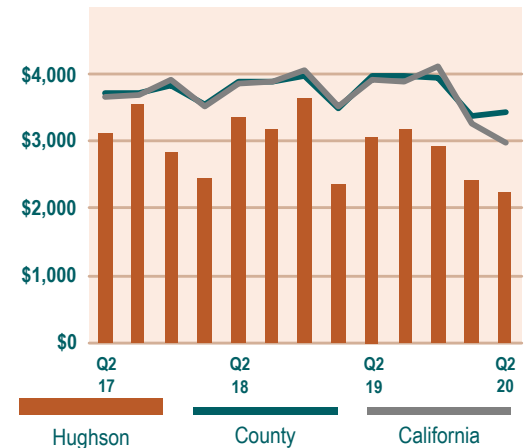
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

SALES PER CAPITA*



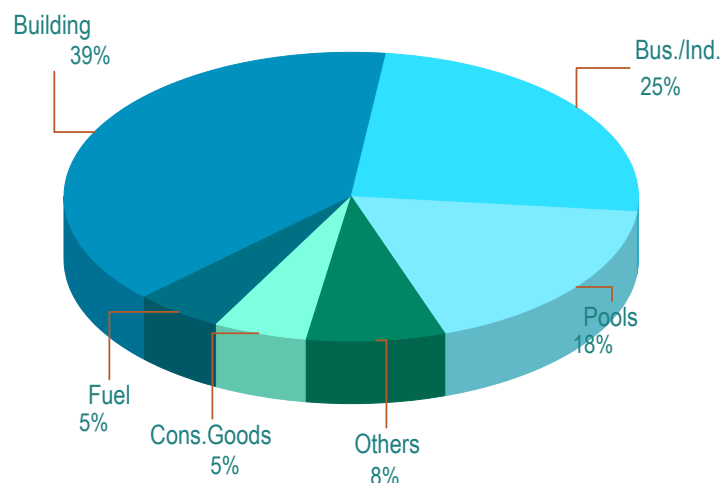
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COUNTY OVERALL 2Q YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	10.5%	-0.7%
Building and Construction	3.9%	7.1%
Business and Industry	-1.0%	-6.0%
Food and Drugs	27.2%	26.0%
Fuel and Service Stations	-31.9%	-44.1%
General Consumer Goods	-9.8%	-22.8%
Restaurants and Hotels	-10.2%	-25.7%
County and State Pools	45.7%	29.2%
Total	2.8%	-7.3%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP Hughson This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity