

Q1 2020



City of Hughson Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Hughson In Brief

Hughson's receipts from January through March were 0.5% below the first sales period in 2019. Excluding reporting aberrations, actual sales were up 5.6%.

The COVID-19 pandemic began impacting sales tax revenue during the first quarter of 2020 with the biggest blow coming in the last two weeks in March. Sales tax deferrals and payment plan orders signed by Governor Newsom furthered impaired cash flow to local governments.

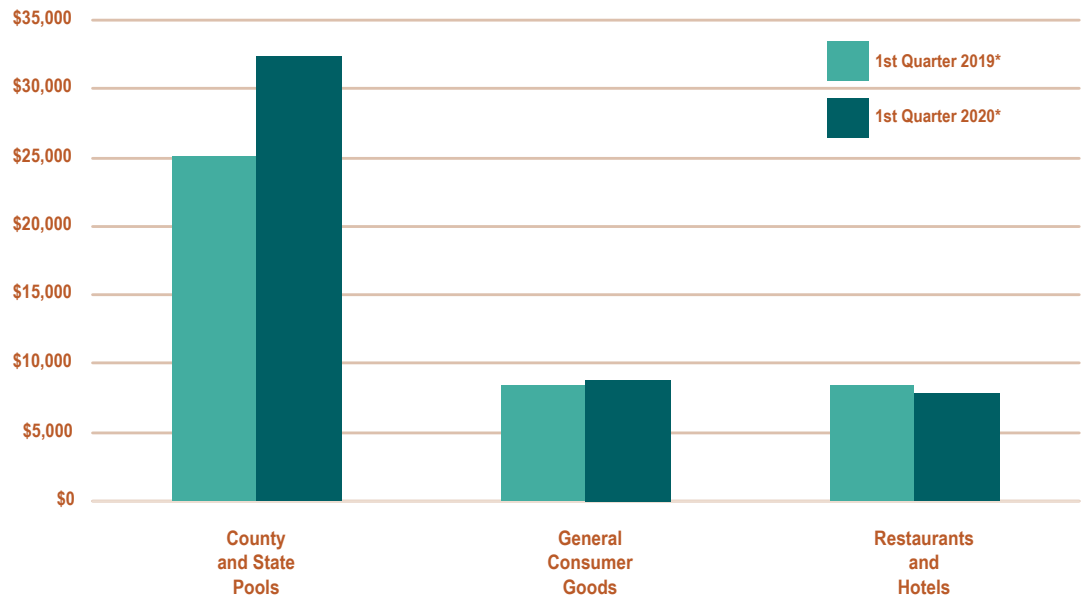
General consumer goods were also up 4.1% comparing quarter over quarter.

Cities and counties across the state have seen declines in the restaurant and hotel category due to the Covid-19 pandemic. This effected Hughson with a decline of 6.5%.

The City's share of the countywide use tax pool increased 29.1% over the same period in the prior year.

Net of aberrations, taxable sales for all of Stanislaus County declined 1.2% over the comparable time period; the San Joaquin Valley was down 2.3%

SALES TAX BY MAJOR BUSINESS GROUP



**Allocation aberrations have been adjusted to reflect sales activity*

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Agave Azul	Mid Valley
Bobs Coffee Shop	Agricultural Services
Boulet Consulting	Napa Auto Parts
California Trusframe	Pizza Factory
Coco's Taqueria	Pure Water Pool Service
Dollar General	Quick N Save
Dollar Tree	Ricos Pizza
Golden Bowl	Santa Fe Market & Liquor
Grossi Fabrication	Scott's Pool Repair & Remodeling
Hughson Automotive	Subway
Hughson Chevron	Valley Tool & Manufacturing
Hughson Farm Supply	Wilbur Ellis
La Perla Tapatia	
Lacy's Furniture & Home Decor	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$685,591	\$645,677
County Pool	96,686	111,477
State Pool	354	356
Gross Receipts	\$782,631	\$757,511

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

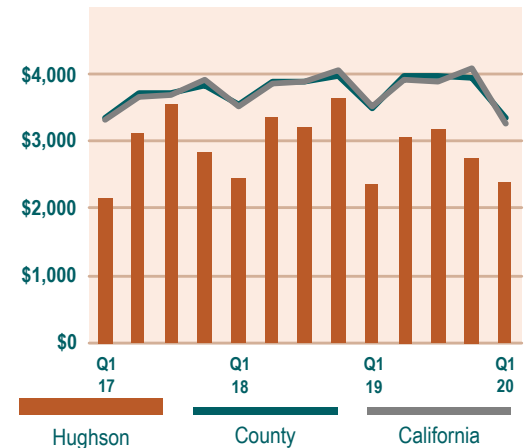
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



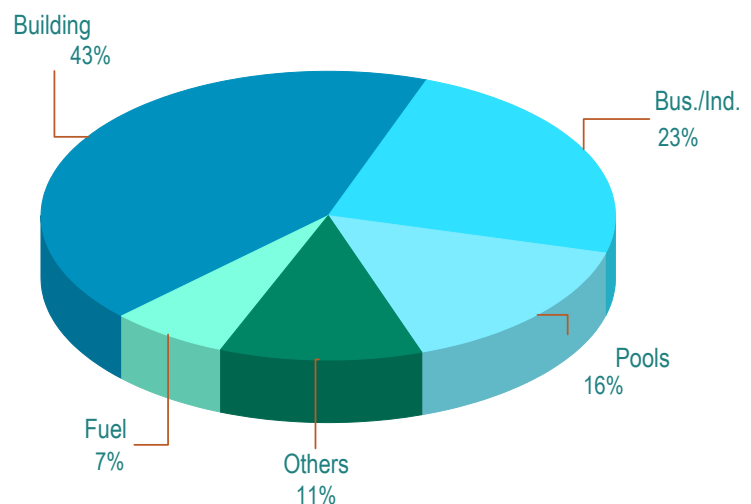
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COUNTY OVERALL 1Q YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-20.7%	-2.5%
Building and Construction	-9.8%	2.2%
Business and Industry	10.2%	0.2%
Food and Drugs	2.8%	12.3%
Fuel and Service Stations	-4.4%	-7.1%
General Consumer Goods	-24.3%	-8.9%
Restaurants and Hotels	-32.1%	-10.7%
County and State Pools	-0.2%	14.9%
Total	-11.5%	-1.2%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP Hughson This Quarter*



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