

Q4 2019



City of Lemon Grove Sales Tax *Update*

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

Lemon Grove In Brief

Lemon Grove's receipts from October through December were 3.3% below the fourth sales period in 2018. Excluding reporting aberrations, actual sales were down 1.8%.

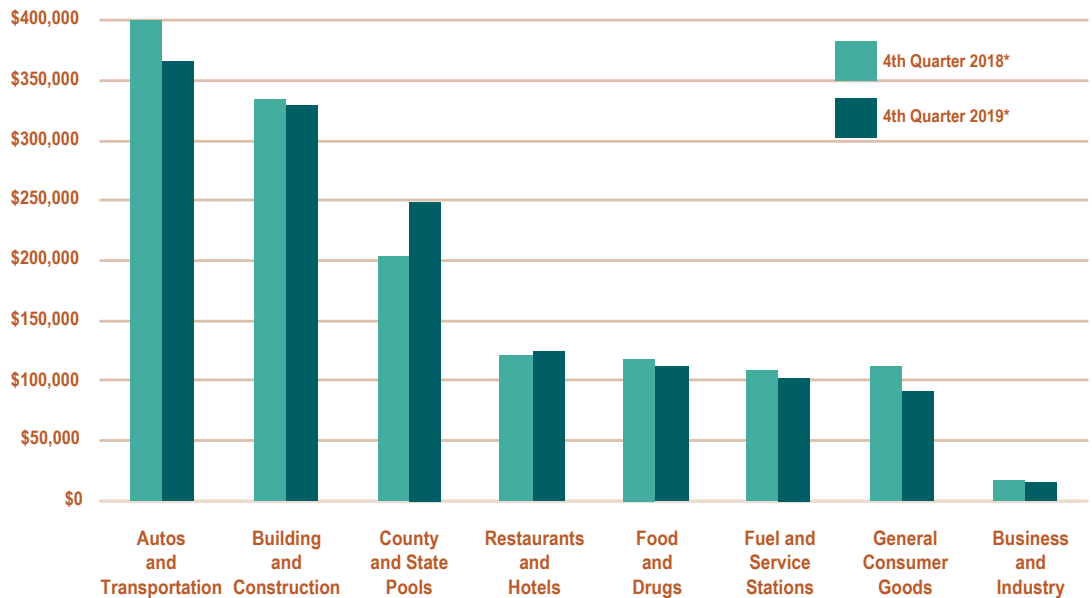
A decline in revenue from local gas stations, exacerbated by numerous catch-up payments received in the comparison year from one of the City's largest fueling centers, was a major factor in the decline.

The general consumer goods group was negatively impacted by a store closure and the continuing consumer shift to internet shopping. Auto and transportation related receipts were also lower and further reduced by a business relocation.

Conversely, Lemon Grove benefited from a 30% surge in allocations from the countywide use tax pool, which has been boosted by a recent legislative change that allows the State to collect tax revenue from small, third-party sellers on internet-based, market-platforms.

Net of aberrations, taxable sales for all of San Diego County grew 5.6% 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

Albertsons	Larry H Miller Toyota
Arco AM PM	Lemon Grove
Chevron	Lidos Italian Food
Discount Tire	McDonalds
EW Truck & Equipment	Mobil
Food 4 Less	Mossy Honda
Golden State Gasoline	Lemon Grove
GTM Discount General Store	Petco
Harbor Freight Tools	RCP Block & Brick
Home Depot	Sprouts
Honda Lease Trust	T Mobile
In N Out Burger	Thompson Building Materials
KC Broadway Arco	Toyota Lease Trust
	USA Gas

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$2,790,992	\$2,359,475
County Pool	422,192	458,462
State Pool	1,413	1,069
Gross Receipts	\$3,214,597	\$2,819,006

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.

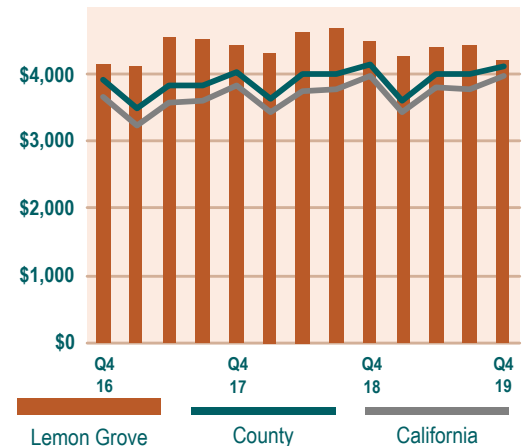
Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

Covid-19

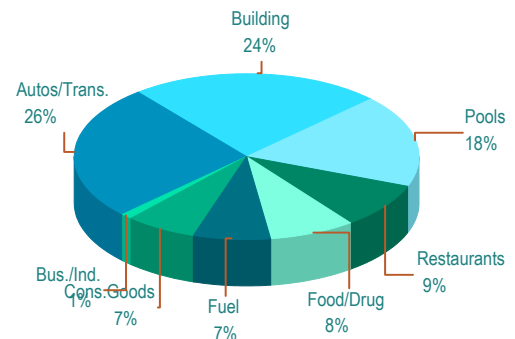
The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, 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
Lemon Grove This Quarter*

*Allocation aberrations have been adjusted to reflect sales activity

LEMON GROVE TOP 15 BUSINESS TYPES**

<i>*In thousands of dollars</i>				
Business Type	Lemon Grove		County	HdL State
	Q4 '19*	Change	Change	Change
Auto Lease	25.1	4.2%	1.1%	3.2%
Automotive Supply Stores	26.1	5.6%	1.7%	0.6%
Building Materials	286.2	-1.7%	2.8%	1.4%
Casual Dining	22.4	5.0%	4.0%	3.8%
Contractors	—	CONFIDENTIAL	1.4%	-4.4%
Convenience Stores/Liquor	21.2	-0.9%	1.2%	-0.3%
Drug Stores	—	CONFIDENTIAL	0.4%	-0.7%
Electronics/Appliance Stores	15.1	-15.7%	-6.9%	-6.6%
Grocery Stores	74.0	-8.7%	3.4%	1.3%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-2.1%	-3.4%
Paint/Glass/Wallpaper	16.7	21.4%	-9.8%	0.6%
Quick-Service Restaurants	90.2	1.1%	2.5%	1.9%
Service Stations	102.4	-6.0%	-2.0%	0.2%
Specialty Stores	20.0	4.0%	-5.0%	-3.8%
Variety Stores	30.1	-28.5%	0.7%	0.5%
Total All Accounts	1,140.1	-5.9%	0.4%	0.2%
County & State Pool Allocation	248.7	22.4%	37.7%	26.7%
Gross Receipts	1,388.8	-1.8%	5.6%	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.