

CITY OF LEMON GROVE

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



LEMON GROVE

TOTAL: \$ 1,741,917

25.4%
3Q2020



-1.3%
COUNTY

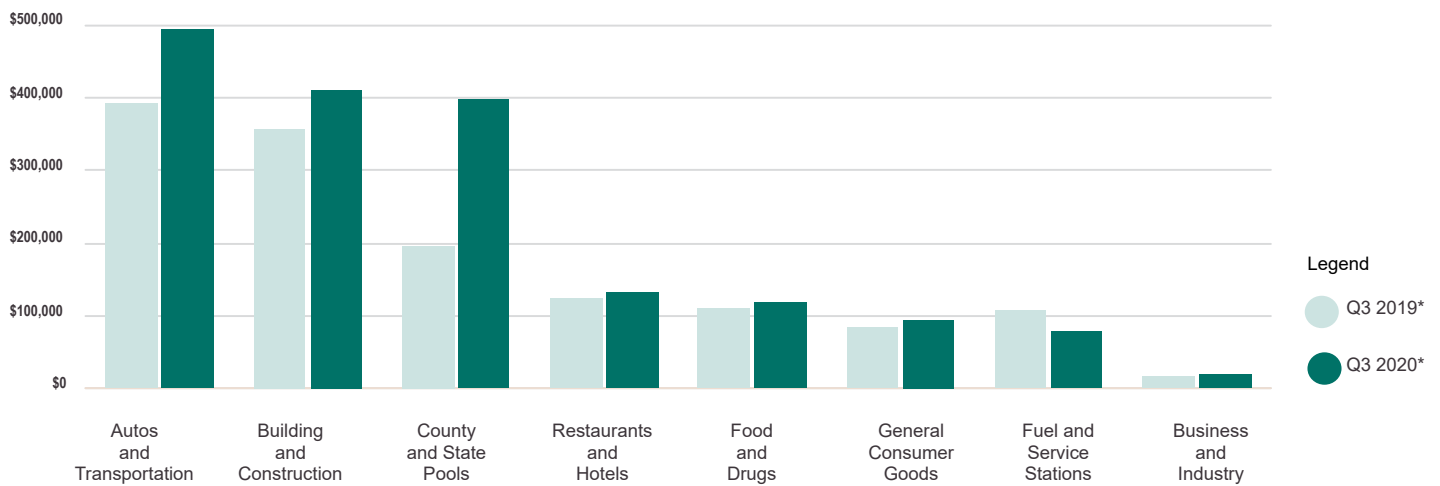


-0.9%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF LEMON GROVE HIGHLIGHTS

Lemon Grove's allocation of sales and use tax from its July through September sales was 25.4% higher than the third quarter of 2019 after factoring for accounting anomalies.

An exceptional quarter for building materials and most categories of sales within the auto-transportation group plus rising revenues from the countywide use tax pool where taxes on goods shipped from out-of-state are allocated all contributed to the increase.

The pool gains came both from an acceleration in shopping over the internet as well as last year's implementation of the Supreme Court's South Dakota v. Wayfair decision that allows California to require out-of-state retailers collect and remit, local taxes. The City's share of the pool is based on its contribution to countywide sales and rose to 1.1%

versus 0.9% the year before.

Other contributors to the overall gain included a solid quarter for quick-service restaurants, liquor, consumer electronics and home furnishings plus the recent opening of a cannabis store.

Adjusted for back payments and other accounting aberrations, sales and use tax receipts for all of San Diego County declined 1.3% over the comparable time period while the Southern California region as a whole, was down 1.5%.



TOP 25 PRODUCERS

Albertsons
Arco AM PM
Boulevard
Chevron
Discount Tire
EW Truck & Equipment
Food 4 Less
Golden State Gasoline
GTM Discount General Store
Harbor Freight Tools
Home Depot
Honda Lease Trust
In N Out Burger
KC Broadway Arco
Larry H Miller Toyota
Lemon Grove
McDonalds
Mossy Honda Lemon Grove

Petco
RCP Block & Brick
Smith Shade & Linoleum
Sprouts Farmers Market
Texaco
Thompson Building Materials
Toyota Lease Trust
USA Gasoline



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.

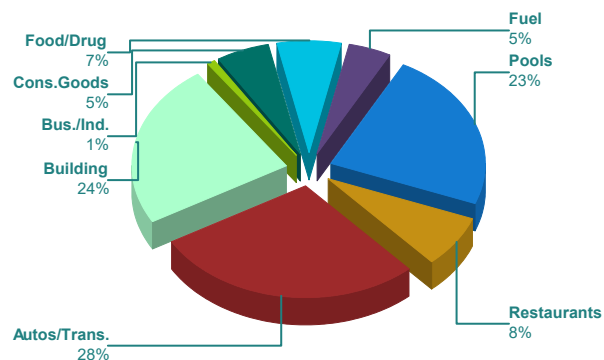
Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up of each jurisdiction's tax base.

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

Lemon Grove This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Lemon Grove Business Type	Q3 '20*	Change	County Change	HdL State Change
Building Materials	368.4	19.0% ↑	13.5% ↑	16.4% ↑
Quick-Service Restaurants	103.3	14.6% ↑	-12.3% ↓	-10.3% ↓
Service Stations	78.9	-26.5% ↓	-31.2% ↓	-29.0% ↓
Grocery Stores	61.9	-15.9% ↓	8.1% ↑	7.1% ↑
Automotive Supply Stores	28.4	11.4% ↑	5.9% ↑	5.6% ↑
Convenience Stores/Liquor	26.7	20.5% ↑	19.5% ↑	15.0% ↑
Auto Lease	24.6	-0.5% ↓	-3.2% ↓	-5.4% ↓
Specialty Stores	23.8	27.9% ↑	-8.7% ↓	-8.7% ↓
Casual Dining	17.5	-25.7% ↓	-34.2% ↓	-38.0% ↓
Electronics/Appliance Stores	16.6	39.2% ↑	-20.8% ↓	-21.1% ↓

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars