Q2 2020

City of Lemon Grove Sales Tax *Update*

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

Lemon Grove In Brief

Lemon Grove's cash receipts from April through June were 1.3% above the second sales period in 2019. Actual sales were flat, significantly outperforming the State and regional trend, after adjusting for payment aberrations.

While most categories were down amid the pandemic restrictions and closures, allocations from the countywide use tax pool surged 46% after a recent legislative change has allowed for the taxation of additional internet purchases and as more consumers have shifted to online shopping.

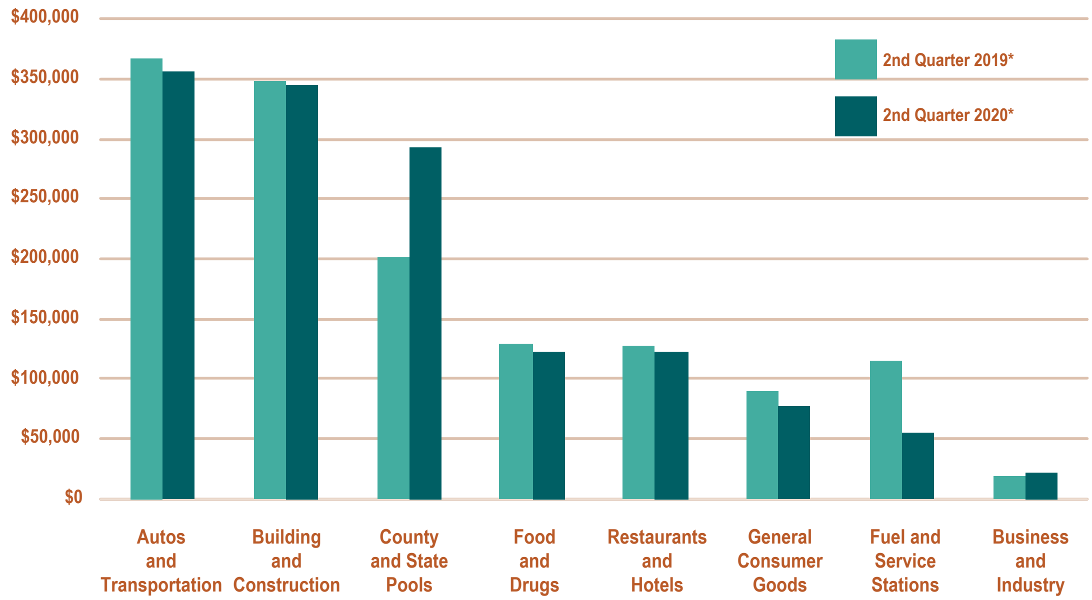
Auto and transportation receipts, the City's largest sales tax category, were down only 3% compared to the 17% statewide average decline, helping the City to outperform.

Building and construction, Lemon Grove's second largest sales tax category, was down only 1%, supported by strong Southern California housing demand and mortgage rates now well below 3%.

Gasoline sales plunged 51%, however, as many employees transitioned to working from home and as the price of oil plummeted during the recession.

Net of aberrations, taxable sales for all of San Diego County declined 18.9% over the comparable time period; the Southern California region was down 18.0%.

Sales Tax by Major Business Group



*Allocation aberrations have been adjusted to reflect sales activity

Top 25 Producers

In Alphabetical Order

- Albertsons
- Arco AM PM
- 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
- Jack in the Box
- Larry H Miller Toyota Lemon Grove
- McDonalds
- Mossy Honda Lemon Grove
- Petco
- RCP Block & Brick
- Rite Aid
- Smith Shade & Linoleum
- Sprouts Farmers Market
- T Mobile
- Texaco
- Thompson Building Materials
- Toyota Lease Trust

Revenue Comparison

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

	2018-19	2019-20
Point-of-Sale	$5,177,357	$4,473,689
County Pool	825,486	1,018,477
State Pool	2,623	2,435
Gross Receipts	$6,005,466	$5,494,601

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NOTES

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.

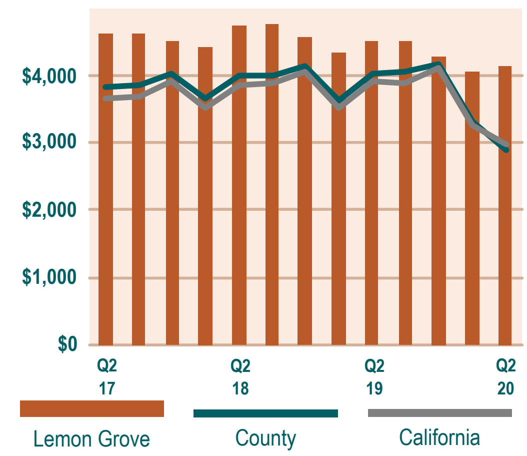
With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 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.

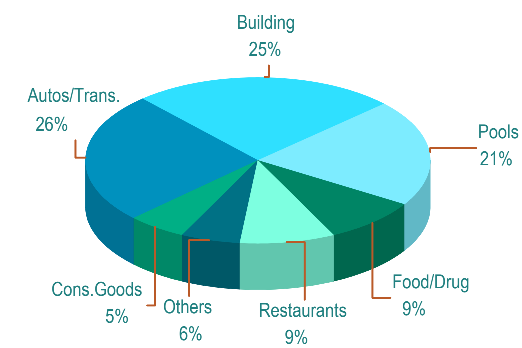
Sales Per Capita*



*Allocation aberrations have been adjusted to reflect sales activity

Revenue By Business Group

Lemon Grove This Quarter*



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Lemon Grove Top 15 Business Types**

*In thousands of dollars	Lemon Grove		County	HdL State
Business Type	**Q2 '20***	**Change**	**Change**	**Change**
Auto Lease	21.5	-12.3%	-11.2%	-9.2%
Auto Repair Shops	14.9	-8.9%	-25.6%	-28.2%
Automotive Supply Stores	26.6	8.5%	-4.5%	-4.7%
Building Materials	297.3	-0.6%	3.0%	7.0%
Casual Dining	18.6	-30.3%	-56.2%	-53.2%
Contractors	— CONFIDENTIAL —		-9.1%	-12.2%
Convenience Stores/Liquor	26.8	25.2%	14.0%	8.4%
Drug Stores	17.2	16.9%	-3.3%	0.1%
Electronics/Appliance Stores	12.3	4.2%	-52.0%	-50.8%
Grocery Stores	76.8	-17.3%	10.8%	7.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-16.3%	-15.8%
Quick-Service Restaurants	93.5	3.5%	-24.4%	-22.0%
Service Stations	55.9	-51.1%	-38.1%	-45.2%
Specialty Stores	21.8	12.8%	-37.9%	-36.2%
Variety Stores	— CONFIDENTIAL —		-8.4%	2.5%
Total All Accounts	**1,102.2**	**-7.7%**	**-28.1%**	**-24.0%**
County & State Pool Allocation	**293.4**	**45.7%**	**37.6%**	**28.9%**
Gross Receipts	**1,395.6**	**0.0%**	**-18.9%**	**-16.3%**

*** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.*