

Q2 2020



San Clemente Sales Tax *Update*

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

San Clemente In Brief

San Clemente's receipts from April through June were 1.5% below the second sales period in 2019. Excluding reporting aberrations, actual sales were down 9.3%.

General consumer goods reported significant declines brought on by store closures. The restaurants-hotels sector struggled during the second quarter, with results improving as many began implementing partial reopening plans.

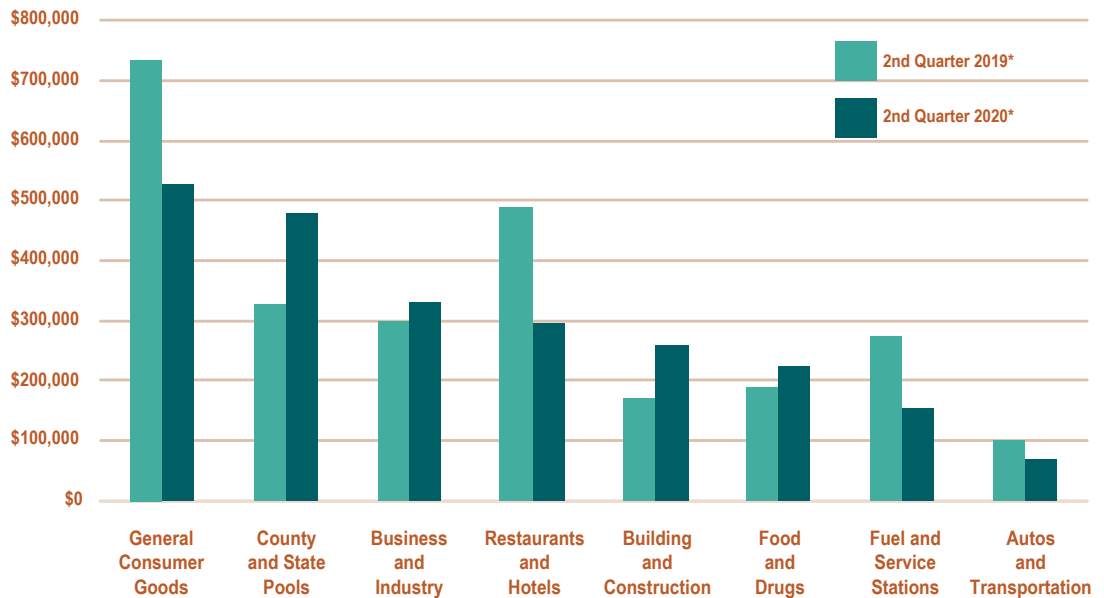
Decreased demand and excess supply caused fuel prices drop to the lowest point since 2005. Revenue from autos-transportation plunged as the coronavirus forced dealerships and factories into temporary closures.

Building-construction saw an uptick in revenue as do-it-yourself projects became increasingly popular. Revenues from food-drug retailers remained strong as consumers anxiously filled their carts with necessities in response to shortages and shelter in place orders.

The City's share of the countywide increased 57.5% over the same period in the prior year.

Net of aberrations, taxable sales for all of Orange County declined 18.3% 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

76	Pacific Medical Group
Aggregate Machinery Specialists	Pedros Tacos
Albertsons	Rainbow Sandals
Arco	Ralphs
Circle K	San Clemente Valero
CVS Pharmacy	SEHI Computer Products
Deweys TV	Sprouts
House Materials	Stater Bros
La Terra Building Solutions	Target
Lowe's	Trader Joes
McDonalds	United Oil
Murf Electric Bikes	Walmart
	YT Industries

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$9,091,578	\$8,058,610
County Pool	1,270,882	1,604,445
State Pool	4,508	4,149
Gross Receipts	\$10,366,967	\$9,667,204

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

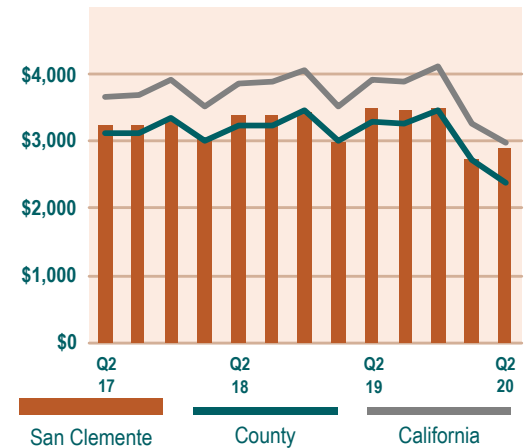
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

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.

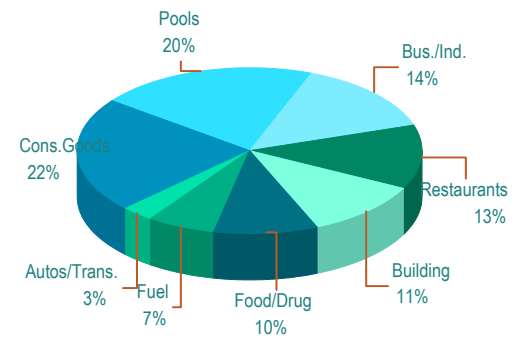
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected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

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP San Clemente This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

SAN CLEMENTE TOP 15 BUSINESS TYPES**

Business Type	San Clemente		County	HdL State
	Q2 '20*	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	-0.9%	7.0%
Casual Dining	145.9	-44.0%	-53.0%	-53.2%
Contractors	83.7	198.3%	-7.3%	-12.2%
Discount Dept Stores	— CONFIDENTIAL —	—	-15.4%	-6.3%
Electronics/Appliance Stores	43.3	-15.1%	-52.2%	-50.8%
Family Apparel	51.7	-56.5%	-59.7%	-66.3%
Fast-Casual Restaurants	47.3	-25.6%	-31.8%	-30.2%
Fulfillment Centers	— CONFIDENTIAL —	—	-34.6%	142.9%
Grocery Stores	160.3	22.5%	10.4%	7.8%
Medical/Biotech	42.8	35.5%	-12.7%	-15.2%
Office Equipment	— CONFIDENTIAL —	—	-9.3%	-9.8%
Quick-Service Restaurants	93.8	-4.3%	-17.7%	-22.0%
Service Stations	154.0	-43.8%	-51.4%	-45.2%
Shoe Stores	44.0	-50.7%	-59.1%	-59.2%
Sporting Goods/Bike Stores	51.8	1.5%	-14.8%	-11.0%
Total All Accounts	1,860.6	-17.5%	-28.1%	-24.0%
County & State Pool Allocation	478.6	46.8%	27.0%	28.9%
Gross Receipts	2,339.2	-9.3%	-18.3%	-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.