

CITY OF UPLAND

SALES TAX UPDATE

2Q 2024 (APRIL - JUNE)



UPLAND

TOTAL: \$ 6,157,066

-2.2%

2Q2024



0.8%

COUNTY



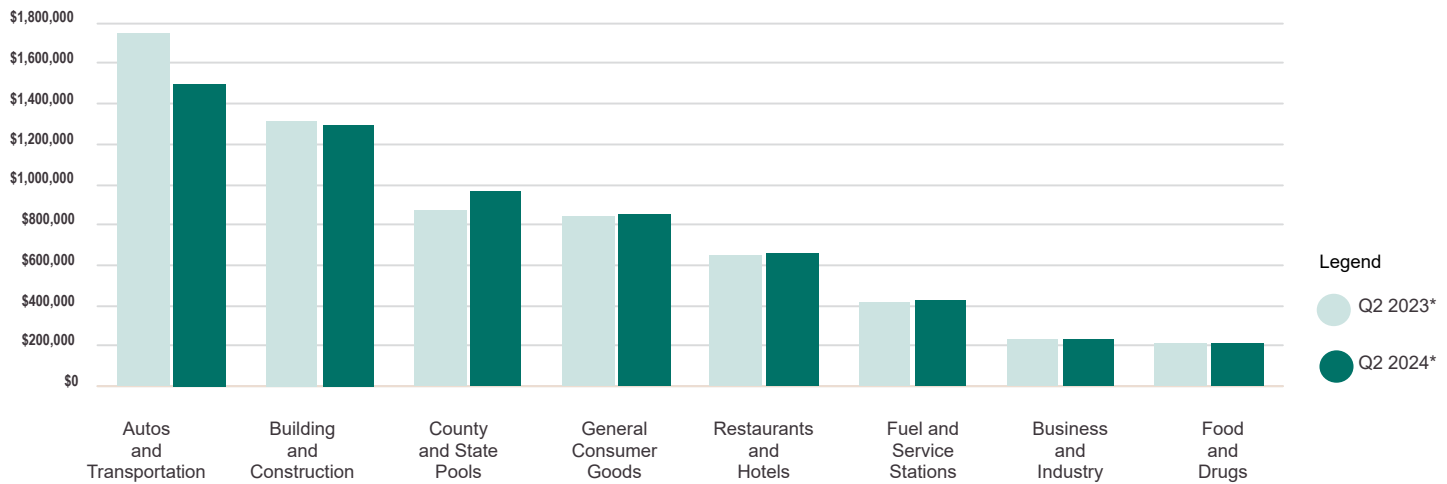
-0.6%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF UPLAND HIGHLIGHTS

Upland's receipts from April through June were 7.0% above the second sales period in 2023. Excluding reporting aberrations, actual sales were down 2.2%.

The Federal Reserve has begun to reduce interest rates, which is a sign that inflation is coming in near expectations. This action may spur some gradual changes in consumer patterns, with the anticipation that most major industry groups will begin to experience associated growth in early 2025. The upcoming holiday season may not see much of an uptick due to consumers focusing spending priorities on household and essential items.

The City experienced the largest decline in its top sector, autos-transportation, including used automotive dealers. Sales tax associated with vehicle sales have continued to decline. Overall recovery in this industry is likely to be gradual and consistent with the drop in interest rates.

Results from building-construction, including building materials, were negative. This quarter's results reflected several changes that lowered sales. Our forecast reflects gradual recovery beginning in early 2025.

Returns from building materials, drug stores, service stations, quick service and casual dining, electronics/appliance stores, light industrial/printers were also down.

On the positive side, receipts from sporting goods, family apparel, shoe stores, warehouse/farm equipment, and the state and county pools grew compared to a year ago, which helped to offset the overall net quarterly loss.

Net of aberrations, taxable sales for all of San Bernardino County grew 0.8% over the comparable time period; the Southern California region was down 0.5%.



TOP 25 PRODUCERS

- 7 Eleven
- Arco
- Caliber Collision Centers
- Chevron
- Chick Fil A
- Crossroads Travel Center
- Dick's Sporting Goods
- Euclid Arco
- Ford of Upland
- Holliday Rock
- Home Depot
- In N Out Burger
- Kohls
- Lowes
- Marshalls
- Mountain View Chevrolet
- Nordstrom Rack
- Ross
- San Antonio Community Hospital
- Stater Bros
- Target
- Tesla
- TJ Maxx
- Vons Fuel
- Walmart



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of April through June were 0.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year second quarter is traditionally the beginning of the summer spending season; however, returns were relatively flat when compared to a year ago. For many California agencies, this also marks the end of the 2023-24 fiscal year, where statewide sales tax revenues were down 1.3% from the 2022-23 fiscal year.

Consistent with recent trends, auto-transportation receipts fell 6.2% - the largest sector decline this quarter. Sustained high interest rates, tightened credit standards, and increased cost of insurance all converged to impact returns. While inventory-levels for many dealerships have rebounded, it’s only proving to create downward pressure on prices, further constraining receipts.

Summer weather usually marks fruitful periods for building-construction, however as property owners struggle to access equity for improvements, year-over-year receipts declined. The price of lumber and other materials are now more affordable, but new projects have been sidelined by developers until financing and mortgage costs drop further.

Similarly, as the price of consumer goods has cooled with moderate inflation rates, returns from multiple merchants have curtailed. Men’s and women’s apparel, home furnishings, electronic-appliance and specialty stores could not escape the change in shopper’s preferences for lower priced items from large brick-and-mortar retailers like discount department stores.

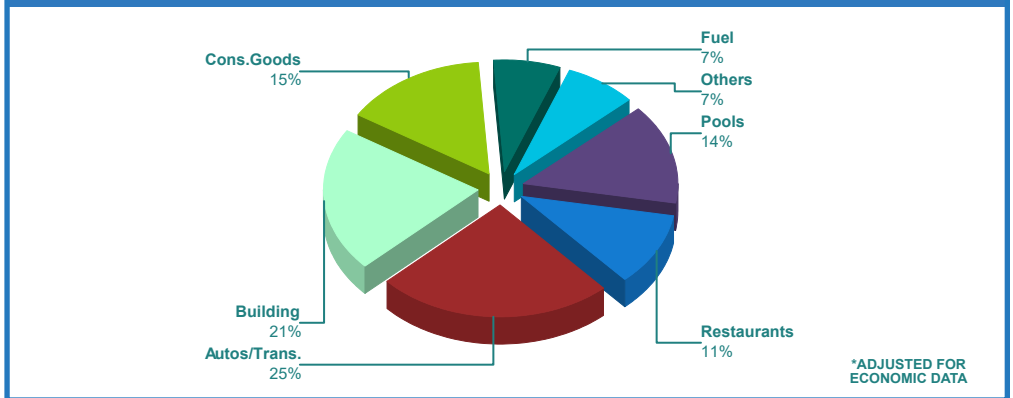
Restaurants experienced only a modest

gain of 0.7%. As AB 1228 is enacted – state law increasing California’s minimum wage at designated eateries – third party data reports that foot traffic to all such establishments decreased during this same time period. Not only are diners selecting less expensive places to eat, but many may have been pushed to limit their frequency to dine out.

Multiple of sectors experienced mild growth including allocations from the countywide use tax pool and the business-industrial group, both benefiting from online shopping, and fuel-service stations as drivers continue to hit the road even as gas prices remain elevated.

Halfway through the current calendar year, revenue trends remain slightly lower than a year ago overall. Although the Federal Reserve recently reduced the Fed Funds Rate helping temper the cost of financing, personal consumption forecasts remain insipid through the remainder of 2024. Consumers are more likely to wait for greater improvement of household economic conditions before extending themselves again, inspiring the next sales tax growth cycle.

REVENUE BY BUSINESS GROUP
Upland This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Upland Business Type	Q2 '24*	Change	County Change	HdL State Change
Building Materials	434.7	-5.2% ↓	-2.1% ↓	-4.0% ↓
Service Stations	421.5	2.6% ↑	0.7% ↑	4.1% ↑
Quick-Service Restaurants	320.5	1.9% ↑	1.7% ↑	0.7% ↑
Casual Dining	245.2	1.8% ↑	0.2% ↑	0.2% ↑
Specialty Stores	140.2	-0.5% ↓	-7.0% ↓	-5.4% ↓
Family Apparel	138.6	5.7% ↑	2.3% ↑	0.3% ↑
Grocery Stores	111.3	-0.7% ↓	2.8% ↑	1.9% ↑
Sporting Goods/Bike Stores	95.6	18.1% ↑	-1.7% ↓	12.7% ↑
Fast-Casual Restaurants	80.4	6.0% ↑	4.1% ↑	2.6% ↑
Auto Repair Shops	71.1	-2.0% ↓	-8.2% ↓	-4.5% ↓

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars