

Q2 2020



City of Burlingame Sales Tax *Update*

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

Burlingame In Brief

Burlingame's receipts from April through June were 24.2% below the second sales period in 2019. However, deferred tax payments from last quarter temporarily exaggerated the cash results. Once these and other reporting aberrations are excluded, actual sales were down 33.6%.

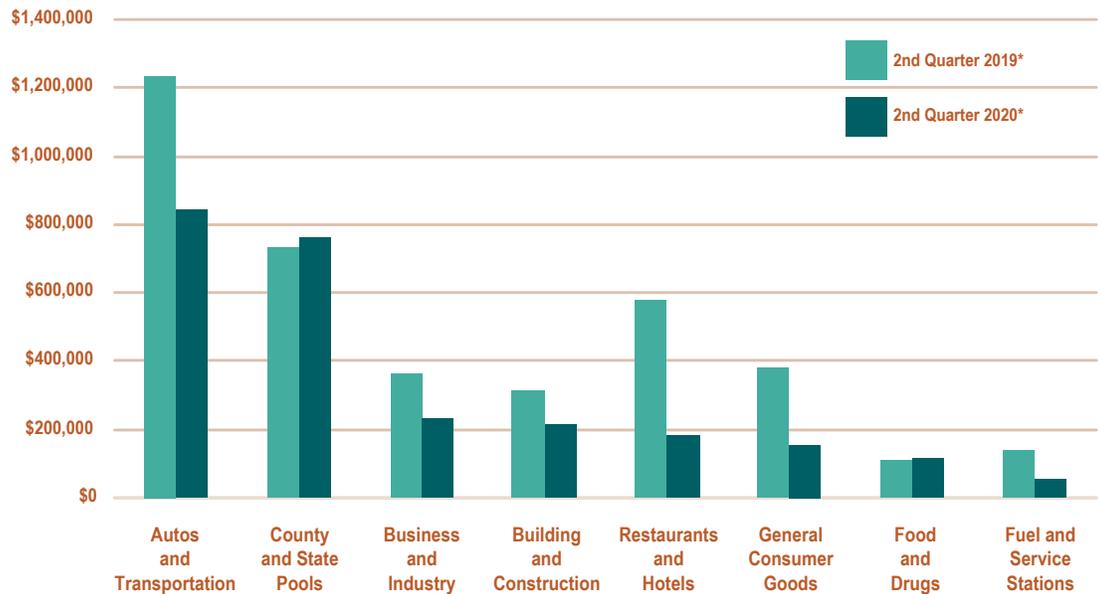
This quarter was dramatically impacted by the economic shutdown resulting from Covid-19 and the shelter-in-place directive. As expected, new auto dealers, general consumer retailers, and restaurants that depend on indoor services were immediately hindered.

Partially offsetting the declines were continued new tax revenue from out-of-state online retailers due to the enactment of AB147 combined with increased online sales due to the shutdown, which lifted countywide use tax pool allocations to the City by 3%.

Voter approved Measure I experienced a 30% decrease over last year due to the Covid-19 economic shutdown. New tax revenue from out-of-state online retailers from goods purchased by residents also helped soften the drop.

Net of aberrations, taxable sales for all of San Mateo County declined 30.0% over the comparable time period; the Bay Area was down 21.6%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply Co	Ocean Honda
All Industrial Supply	Peter Pan Bmw Service & Parts
All Natural Stone	Porsche Leasing
Audi Leasing	Purcell Murray
Bentley Leasing	Putnam Chevrolet Cadillac
BevMo	Putnam Chrysler Jeep Dodge
Critchfield Mechanical	Putnam Toyota
Ferguson Enterprises	Rector Porsche Audi
Floor & Decor	Safeway
Garratt-Callahan	Tangent Computer
Kern Jewelers	Tesla Motors
Lahlouh Printing	Walgreens
Marin Gas & Auto Services	
Mills Memorial Hospital	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$13,531,338	\$10,145,504
County Pool	2,907,480	2,998,933
State Pool	7,177	5,536
Gross Receipts	\$16,445,996	\$13,149,974
Cty/Cnty Share	(822,300)	(657,499)
Net Receipts	\$15,623,696	\$12,492,475
Measure I	\$2,628,919	\$2,345,085

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.

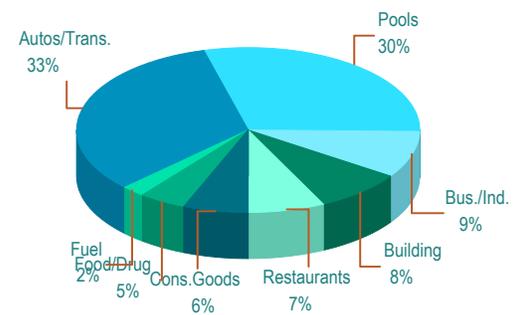
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected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

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP Burlingame This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

BURLINGAME TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Burlingame Q2 '20*	Burlingame Change	County Change	HdL State Change
Auto Lease	96.1	-8.7%	-8.7%	-9.2%
Auto Repair Shops	34.3	-24.0%	-41.7%	-28.2%
Building Materials	66.4	-28.5%	-8.3%	7.0%
Casual Dining	126.8	-60.3%	-60.6%	-53.2%
Contractors	109.8	-35.2%	-22.6%	-12.7%
Drug Stores	— CONFIDENTIAL —			
Drugs/Chemicals	38.8	-4.1%	0.0%	-6.8%
Electrical Equipment	44.4	-20.5%	-1.3%	-16.5%
Grocery Stores	45.4	5.1%	2.1%	7.8%
Jewelry Stores	30.3	-44.4%	-64.3%	-59.1%
Light Industrial/Printers	33.9	-58.6%	-27.5%	-16.8%
Medical/Biotech	33.9	-34.2%	-10.2%	-15.2%
New Motor Vehicle Dealers	691.5	-33.4%	-32.7%	-15.8%
Plumbing/Electrical Supplies	28.1	-30.3%	-15.2%	-15.8%
Service Stations	55.0	-60.8%	-59.2%	-45.2%
Total All Accounts	1,799.7	-42.4%	-40.6%	-24.0%
County & State Pool Allocation	759.7	3.7%	17.9%	28.9%
Gross Receipts	2,559.3	-33.6%	-30.0%	-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.