

Q2 2020



City of Corning Sales Tax Update

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

Corning In Brief

Corning's receipts from April through June were 25.0% below the second sales period in 2019. Excluding reporting aberrations, actual sales were down 6.6%.

Second quarter 2020 was the economic bottoming out from the COVID-19 pandemic. Fewer travelers and capacity limits had a profound negative impact on restaurants and service stations.

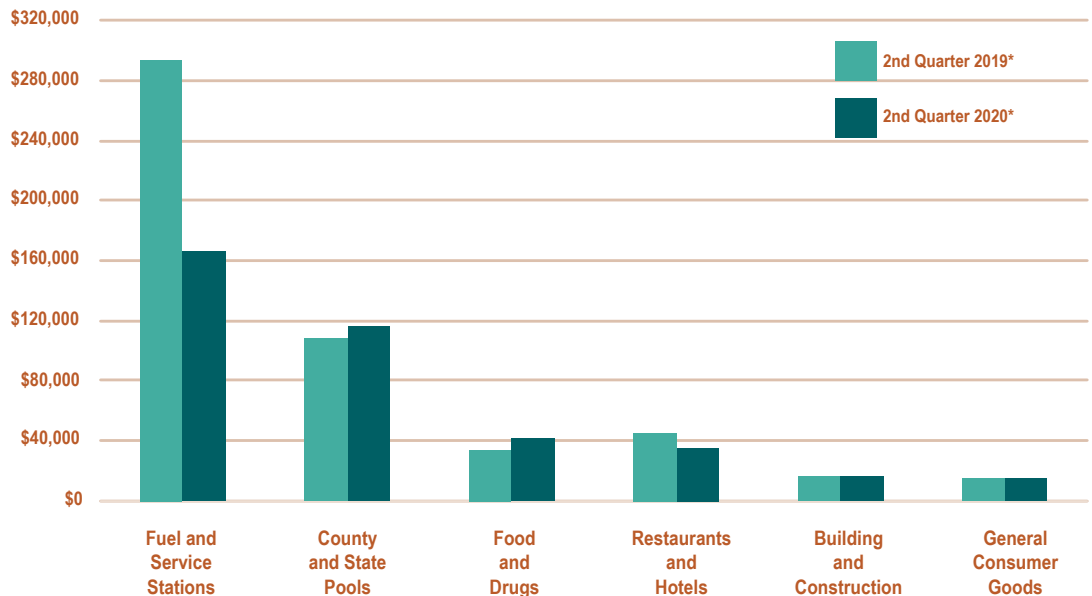
Business-industry declines are due to reporting anomalies and otherwise would have reported flat results. With most businesses in the general consumer group being deemed essential and remained open during the quarter, the group also posted flat results.

The growth in the countywide pool saw an increase in online sales boosting the City's allocation from the pool by 7.4% which offset some of the losses from point of sale.

The voter approved transaction tax, Measure A, generated \$240,219; posting a decrease of 18.1%.

Net of aberrations, taxable sales for all of Tehama County declined 15.0% over the comparable time period; the Far North region was down 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Liquor Cabinet 1
AutoZone	Loves Travel Stop
Basra Mini Mart	McCoys Hardware & Farm Supply
Chevron	McDonalds
Corning Chevron	Napa Auto Parts
Corning Ford	O'Reilly Auto Parts
Mercury Chrysler	Rite Aid
Corning Lumber	Safeway
Corning Shell	Sav More
Corning Valero	Speedco California
Dollar General	TA & Petro Travel Centers
Dollar Tree	Taco Bell
Jack in the Box	
Les Schwab Tire Center	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$3,008,583	\$2,679,473
County Pool	463,685	556,801
State Pool	1,513	1,452
Gross Receipts	\$3,473,782	\$3,237,726
Cty/Cnty Share	(347,378)	(323,773)
Net Receipts	\$3,126,404	\$2,913,953
Measure A	\$1,203,361	\$1,049,293

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

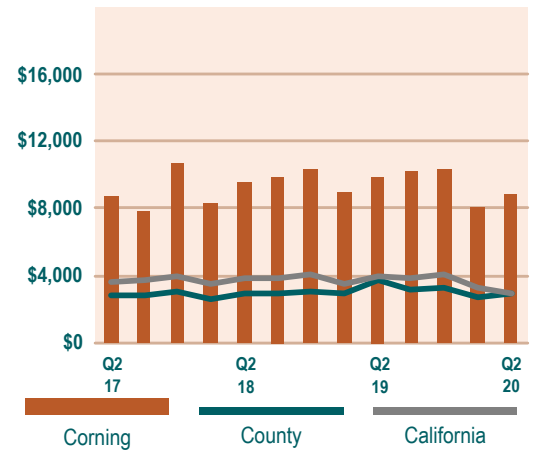
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

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*



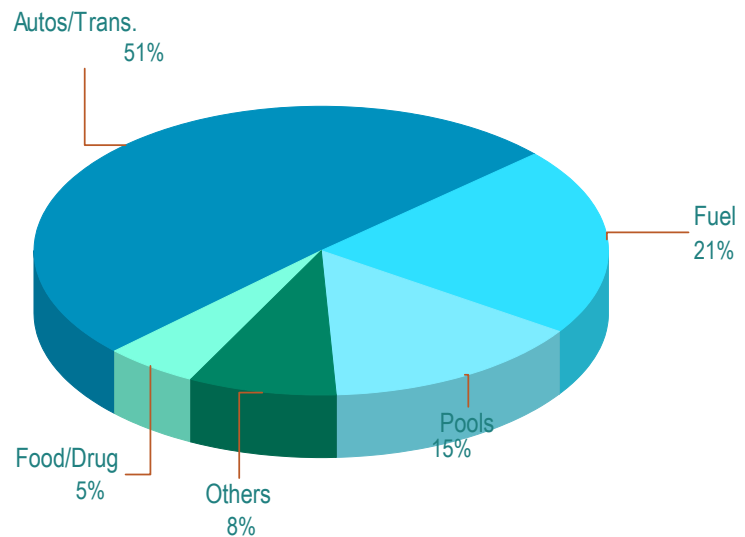
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**COUNTY OVERALL
2Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	14.1%	12.2%
Building and Construction	10.7%	10.9%
Business and Industry	-62.2%	-61.9%
Food and Drugs	20.2%	19.6%
Fuel and Service Stations	-67.5%	-40.5%
General Consumer Goods	17.6%	1.4%
Restaurants and Hotels	-2.2%	-24.5%
County and State Pools	27.7%	21.9%
Total	-14.8%	-15.0%

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Corning This Quarter***



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