

CITY OF ELK GROVE

SALES TAX UPDATE

2Q 2021 (APRIL - JUNE)



ELK GROVE

TOTAL: \$ 9,480,066

36.6%
2Q2021



38.8%
COUNTY

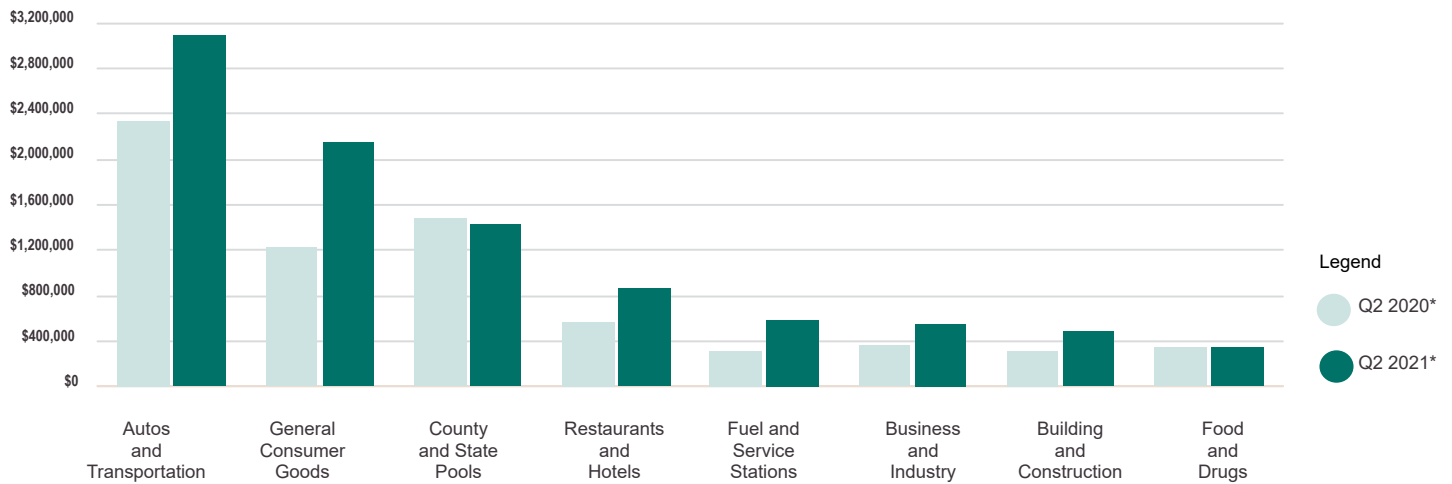


37.3%
STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF ELK GROVE HIGHLIGHTS

Elk Grove's receipts from April through June were 17.8% above the second sales period in 2020. Excluding reporting aberrations, actual sales were up 36.6%.

In line with statewide trends, new vehicles dealerships reported hearty increases aided by much higher prices, low interest rates and buyers depleting existing inventories ahead of anticipated production slowdowns.

Results reflected measurable improvement over year ago lows which suffered the brunt of coronavirus impacts on sales taxes. Restaurants-hotels reported over 51% growth. Categories in general consumer goods that were temporarily closed in the comparison quarter, such as family apparel and home furnishings, reported gains of well over 100%.

Service station rebounds are due to

price growth as well as commuters on the road again; gains for the category posted at 75%.

Unexpected lumber price spikes peaked in May which was beneficial to building materials.

Business-industry had segments with improved activity including garden/agriculture and medical/biotech.

Online sales rose modestly, but the City's allocation slightly declined due to larger gains by other agencies in the pool. Changes in a taxpayer reporting which began in January stifled distributions from the use tax pool.

Net of aberrations, taxable sales for all of Sacramento County grew 38.8% over the comparable time period; the Sacramento region was up 36.1%.



TOP 25 PRODUCERS

- Apple
- Best Buy
- CDW Government
- Costco
- EG Dodge/Jeep/Chry/Audi/VW/Subaru
- Elk Grove Acura
- Elk Grove Buick GMC
- Elk Grove Ford
- Elk Grove Honda
- Elk Grove Kia
- Elk Grove Power Sports
- Elk Grove Toyota
- Elk Grove Unified School District
- Enterprise Rent A Car
- Green Acres Nursery & Supply
- Home Depot
- Infiniti of Elk Grove
- Kohls
- Maita Chevrolet
- Niello BMW
- Nissan/Mazda of Elk Grove
- RVs Of Sacramento
- Slakey Brothers
- Target
- Walmart



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring April through June, was 37% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The 2nd quarter of 2020 was the most adversely impacted sales tax period related to the Covid-19 pandemic and Shelter-In-Place directive issued by Governor Newsom. The 2Q21 comparison quarter of 2Q20 was the lowest since 2Q14 due to indoor dining restrictions at most restaurants; non-essential brick and mortar store closures; and employee remote/work from home options which significantly reduced commuting traffic and fuel sales. Therefore, similar to the 1st quarter 2020 comparison, dramatic percentage gains for 2Q21 were anticipated and materialized.

Up to this point through California's recovery, we've seen some regions experience stronger gains than others. However, with the latest data and the depths of declines in the comparison period, statewide most regions saw very similar growth.

Within the results, prolonged gains by the auto-transportation and building-construction industries generated higher receipts. Although the explosion of sales by new and used car dealers has come as welcome relief, the latest news of inventories being stretched thin due to the micro processing chip issues earlier in the year may result in a headwind into 2022. Conversely for the building-construction group, as housing prices in many markets increased over the last year, sustained available homeowner and investor equity is in place for the foreseeable future. Receipts from general consumer goods marked a steady and expected come back, led by family apparel, jewelry and home furnishing stores. When combined with solid greater economic trends, this is a welcome

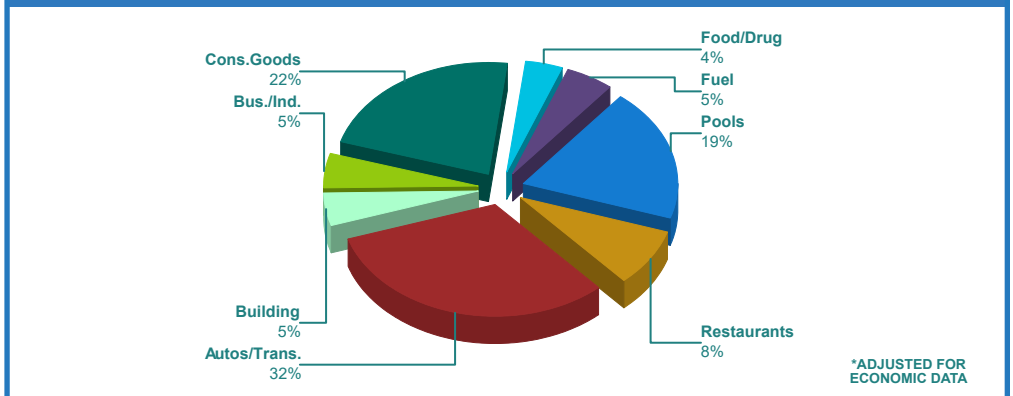
sign for many companies as a lead up to the normal holiday shopping period later this calendar year.

As consumers flock back into retail locations and with AB 147 fully implemented, growth from the county use tax pools - largely enhanced by out-of-state online sales activity - returned to more traditional gains of 9%. These results also included the reallocation of tax dollars previously distributed through the countywide pools to specific local jurisdictions that operate in-state fulfillment centers. Thus, the business and industry category, where fulfillment centers, medical-biotech vendors and garden-agricultural supplies are shown, jumped 26%.

In June, many restaurants reopened indoor dining. Given consumer desires to eat out and beautiful spring weather, all categories experienced a strong, much-needed rebound. However, labor shortages and a rise in menu prices continue to be a concern.

Looking ahead, sustained sales tax growth is still anticipated through the end of the 2021 calendar year. Inflationary effects are showing up in the cost of many taxable products. Pent up demand for travel and experiences, the return of commuters with more costly fuel, and labor shortages having upward pressure on prices may begin to consume more disposable income and tighten growth by the start of 2022.

REVENUE BY BUSINESS GROUP Elk Grove This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Elk Grove Business Type	Q2 '21*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,627.5	34.0% ↑	35.1% ↑	55.9% ↑
Electronics/Appliance Stores	698.0	161.8% ↑	102.8% ↑	100.4% ↑
Service Stations	546.5	75.5% ↑	60.0% ↑	73.9% ↑
Casual Dining	432.7	82.6% ↑	106.6% ↑	130.4% ↑
Quick-Service Restaurants	323.8	27.5% ↑	23.7% ↑	28.8% ↑
Grocery Stores	183.5	-4.5% ↓	-2.9% ↓	-0.9% ↓
Specialty Stores	160.4	70.5% ↑	68.8% ↑	67.7% ↑
Family Apparel	153.7	213.8% ↑	213.6% ↑	230.5% ↑
Garden/Agricultural Supplies	120.9	25.3% ↑	16.3% ↑	10.1% ↑
Boats/Motorcycles	117.7	8.3% ↑	0.3% ↑	13.7% ↑

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