

CITY OF ELK GROVE

SALES TAX UPDATE

4Q 2020 (OCTOBER - DECEMBER)



ELK GROVE

TOTAL: \$ 9,272,365

8.0%
4Q2020



0.6%
COUNTY

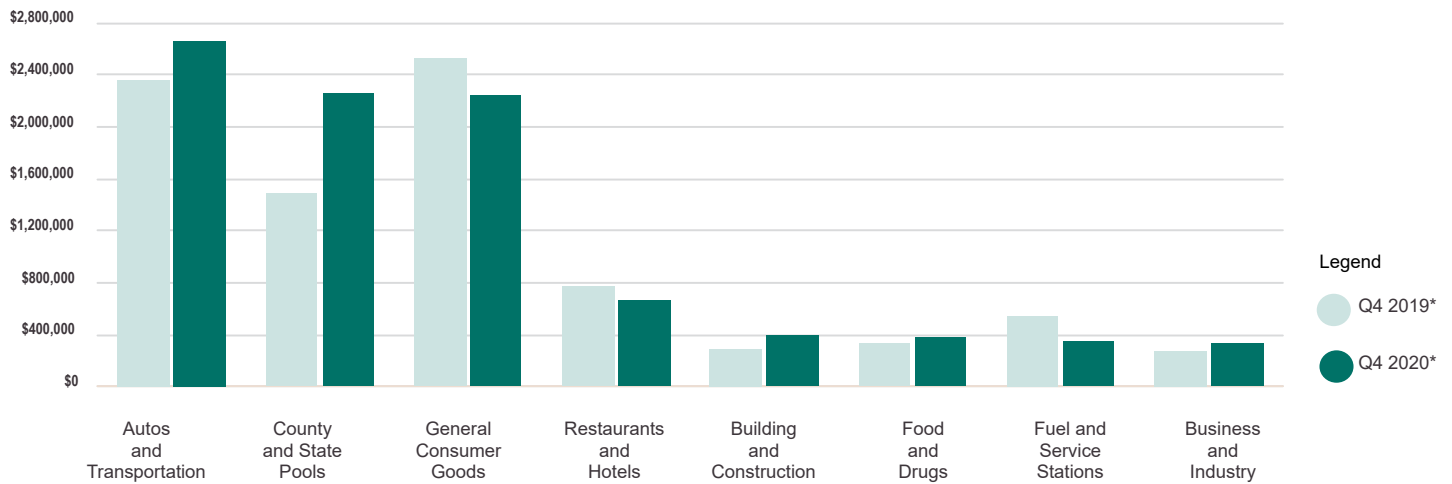


-2.0%
STATE



*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 October through December were 6.8% above the fourth sales period in 2019. Excluding reporting adjustments, receipts for the period were up 8%.

The statistics above belie the fact that local businesses posted a 1% decline in sales this quarter. The increase in the City's use tax pool allocation rose by more than 50% which turned a negative report into a positive outcome. The use tax pool's influence will begin to diminish once the spurt in online sales dies down and spending shifts to brick and mortar stores, restaurants and other real life experiences.

While surging consumer optimism, spurred on in part by stimulus payments brought gains to most business segments, restrictions brought on by the pandemic coupled with competition from online

retailers hurt general consumer good outlets while restaurants and gas stations also reported a continued drop in sales.

Once Covid-tier restrictions are lifted more fully, restaurants will need a relatively short period to rebound while gas stations must also wait on global crude oil supplies to stabilize.

New car sales rebounded while spending at home improvement centers (construction group) rose sharply as homeowners spruced things up using time they had available thanks to remote work options. Garden/ag centers also benefited from the renewed spending on home improvements.

Net of adjustments, taxable sales for all of Sacramento County grew 0.6% over the comparable time period while those of the Sacramento region were up 2.5%.



TOP 25 PRODUCERS

- Apple
- Bel Air Market
- Best Buy
- 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
- Enterprise Rent A Car
- Home Depot
- Kohls
- Lombart Brothers
- Maita Chevrolet
- New Flyer of America
- Niello BMW
- Nissan/Mazda of Elk Grove
- Slakey Brothers
- Target
- TJ Maxx
- Total Wine & More
- Walmart



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring October through December, the holiday shopping season, was 1.9% lower than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous periods. Lower receipts were primarily concentrated in the Bay Area and coastal southern regions while much of inland California, including the San Joaquin Valley, Inland Empire, and northern regions, exhibited solid gains.

As expected, the larger place of sale categories which have been negatively impacted throughout the pandemic continue to be brick and mortar general consumer goods retailers like family apparel, department, and electronics/appliance stores. With limited to zero allowed indoor dining (depending on a County's Covid-19 tier assignment), restaurants and hotels suffered the largest losses especially in communities that strongly rely on tourism. Although the workforce has slowly begun to return to physical office environments, fuel and service stations revenues lagged the prior year performance.

It does not appear that Governor Newsom's second 'shelter at home' directive, initiated by the increase in Covid-19 cases had an impact on overall results. While some merchants chose to utilize the Governor's executive order allowing for a 90-day deferral of sales tax remittance, it was substantially less than the similar opportunity companies utilized during the 1st and 2nd quarters of 2020. The outstanding payments for most California cities will be remitted before the end of the 2020-21 fiscal year.

On the bright side, as consumer confidence stabilized post the national presidential election, customers were motivated to comfortably spend on high-end luxury automobiles, boats-motorcycles, RVs, and sporting goods/equipment.

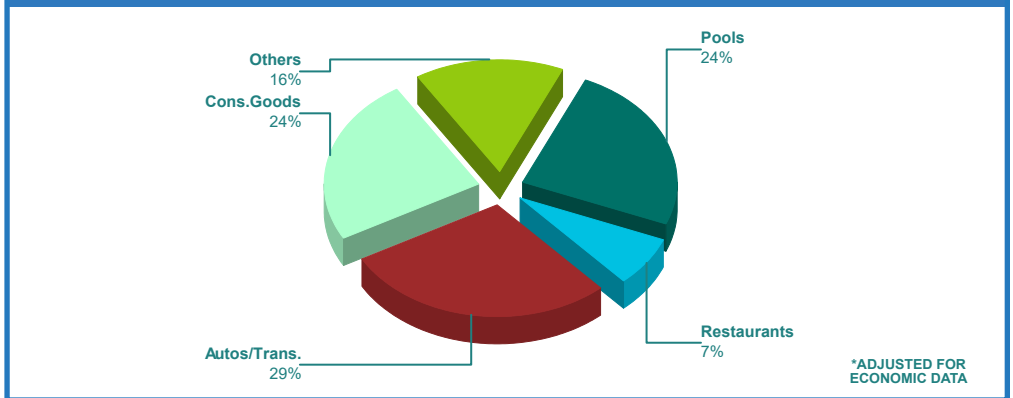
The building-construction sector, with 1) increased price of goods - like lumber, 2) continued home improvement projects, and 3) advantageous fall/winter weather conditions saw strong gains that remained consistent throughout the calendar year.

Exponential growth from countywide use tax pools further helped offset

the declines. Greater online shopping signifying a permanent shift of consumer habits to this more convenient experience was inevitable.

On the horizon, mass deployment of the Covid-19 vaccine will help a greater number of businesses, restaurants and theme parks to reach reopen status. Recent approval of the American Rescue Plan Act of 2021 will further support greater consumer spending, albeit in targeted segments. Pent up demand for summer outdoor experiences and travel is likely and thereby household spending is temporarily reverted away from taxable goods when compared to recent activity.

REVENUE BY BUSINESS GROUP
Elk Grove This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Elk Grove Business Type	Q4 '20*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,254.3	12.9% ↑	6.2% ↑	7.2% ↑
Discount Dept Stores	885.0	0.9% ↑	1.0% ↑	-1.6% ↓
Electronics/Appliance Stores	671.9	-27.5% ↓	-25.3% ↓	-25.0% ↓
Service Stations	345.5	-35.1% ↓	-29.8% ↓	-31.2% ↓
Quick-Service Restaurants	287.6	2.8% ↑	-2.1% ↓	-8.7% ↓
Casual Dining	283.1	-26.2% ↓	-37.7% ↓	-39.4% ↓
Grocery Stores	209.0	12.9% ↑	7.6% ↑	5.2% ↑
Specialty Stores	153.1	1.9% ↑	-1.4% ↓	-6.7% ↓
Family Apparel	148.2	-10.1% ↓	-6.8% ↓	-16.1% ↓
Home Furnishings	116.7	17.9% ↑	4.8% ↑	1.1% ↑

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