

CITY OF ELK GROVE

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



ELK GROVE

TOTAL: \$ 9,602,796

14.7%
3Q2021



19.7%
COUNTY

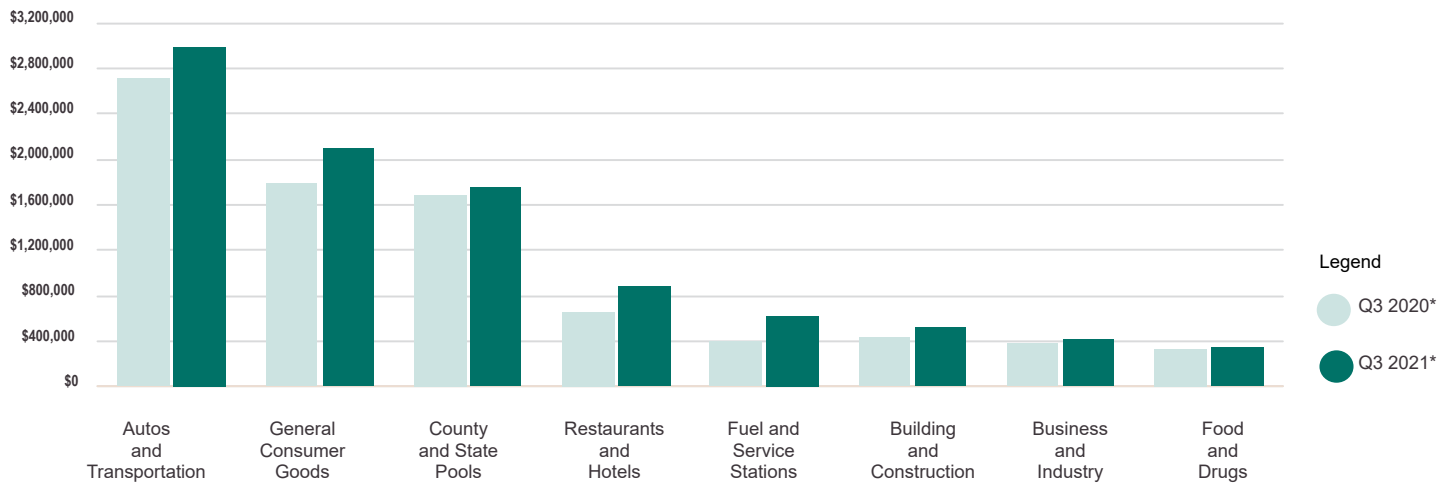


18.2%
STATE



*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 July through September were 25.0% above the third sales period in 2020. Excluding late/deferred payments and other reporting adjustments, receipts for the period were up 14.7%.

Results for this period reflect what is happening around the state: increased consumer spending following the release of pandemic restrictions. For new car sales, results were mixed as many dealers reported sales levels equal to this time last year while a few reported significant increases. Dwindling inventory was a likely cause for so many dealers to see no change in their sales level.

With more folks traveling and venturing indoors to dine, both fuel sales and restaurant activity were much higher than a year ago.

Construction receipts rose as higher prices for lumber and most other materials forced buyers to spend more. Contractor activity was mixed but mostly higher.

Following 2 years of double-digit growth in the City's allocation from the use tax pool, changes in consumer spending habits and taxpayer reporting practices are starting to dampen growth in the pool now, and for the foreseeable future. This means the City will be seeing less growth in the amounts provided from the pool.

For the third straight quarter, sales at general consumer good outlets were strong, with some reporting sales totals equal to or better than those from the 4th quarter of 2019.



TOP 25 PRODUCERS

- Apple
- Best Buy
- CDW Government
- Chevron
- 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
- Grantline Arco
- Home Depot
- Kohls
- Laguna 76
- Maita Chevrolet
- Niello BMW
- Nissan/Mazda of Elk Grove
- Ross
- Shell Gas Station
- Slakey Brothers
- Target
- Walmart



STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor’s Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar

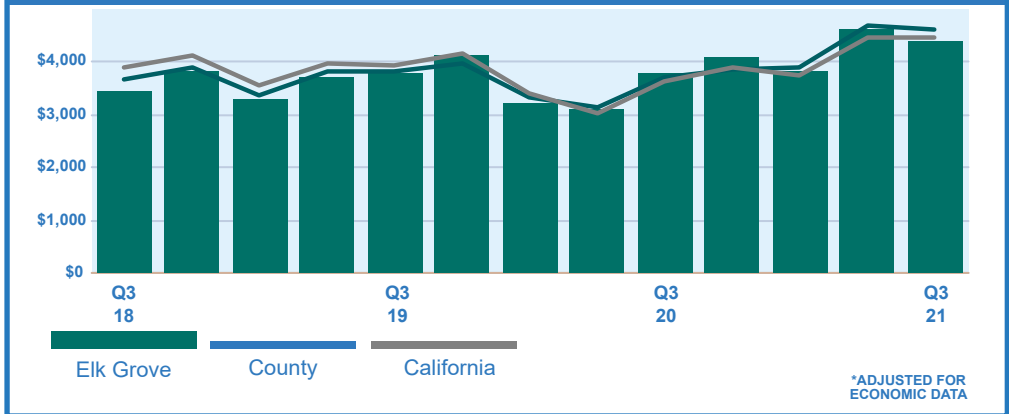
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building

materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer’s disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Elk Grove Business Type	Q3 '21*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,535.6	11.3% ↑	9.0% ↑	18.9% ↑
Electronics/Appliance Stores	634.1	18.8% ↑	15.5% ↑	19.7% ↑
Service Stations	598.5	50.0% ↑	43.1% ↑	53.4% ↑
Casual Dining	433.4	60.5% ↑	77.6% ↑	68.4% ↑
Quick-Service Restaurants	325.2	14.8% ↑	9.8% ↑	13.5% ↑
Grocery Stores	177.3	-2.5% ↓	-0.7% ↓	-0.2% ↓
Family Apparel	161.0	46.1% ↑	28.7% ↑	39.0% ↑
Specialty Stores	145.2	7.7% ↑	11.9% ↑	21.4% ↑
Contractors	133.5	47.0% ↑	22.9% ↑	12.2% ↑
Home Furnishings	114.2	3.0% ↑	3.6% ↑	11.0% ↑

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