

Q2 2020



City of Elk Grove Sales Tax Update

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

Elk Grove In Brief

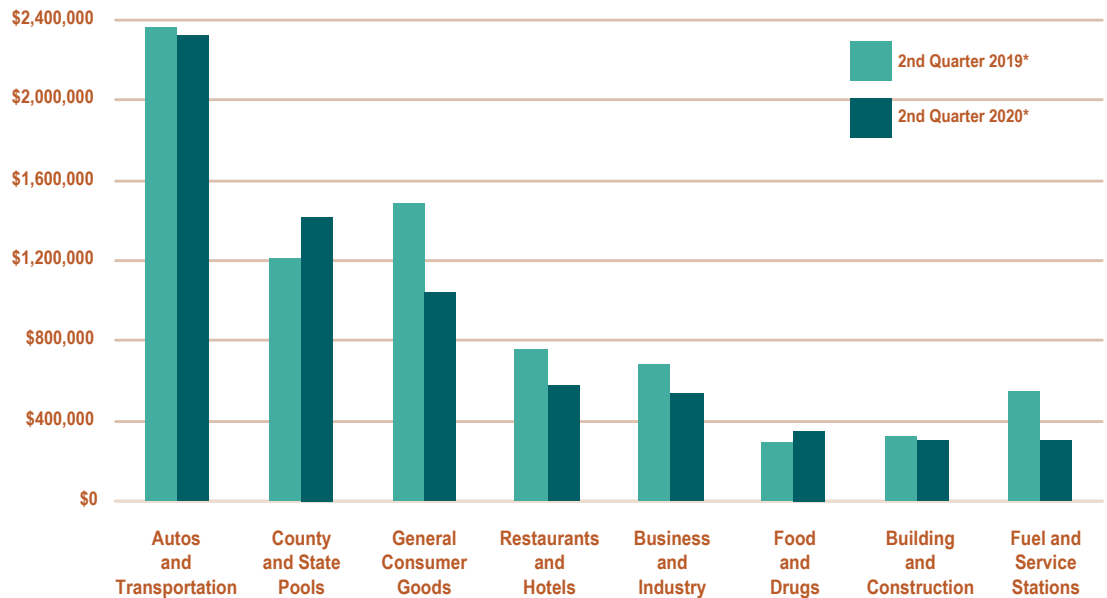
Elk Grove's allocation of sales and use tax from its April through June sales was 0.8% higher than the second quarter of 2019. However, receipts were inflated by previously deferred payments related to the State's Covid-19 taxpayer relief programs. Revenues were down 10.3% after factoring for these and other reporting anomalies.

Most of the decline came from restaurants, fuel, apparel, consumer electronics and some categories of business purchases. The losses were partially offset by a shift to shopping over the internet which boosted receipts from the county use tax pool were taxes levied on out-of-state merchandise is placed and from which Elk Grove received a 10.8% share.

A strong quarter for grocers, liquor stores, home improvement related purchases and boats/motorcycles also contributed to the offset as did a less than predicted decline in auto sales.

Adjusted for deferred payments and accounting aberrations, sales and use tax receipts for all of Sacramento County declined 6.7% over the comparable time period while the six county region as a whole, was down 8.7%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Elk Grove Toyota
Bel Air Market	Enterprise Rent A Car
California Custom Power Sports	Green Acres Nursery & Supply
CDW Government	Home Depot
Costco	Infiniti of Elk Grove
EG Dodge/Jeep/Chry/Audi/VW/Subaru	Laguna 76
Elk Grove Acura	Maita Chevrolet
Elk Grove Buick GMC	Niello BMW
Elk Grove Ford	Nissan/Mazda of Elk Grove
Elk Grove Honda	Target
Elk Grove Kia	Total Wine & More
Elk Grove Power Sports	Walgreens
	Walmart

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$25,603,239	\$24,800,244
County Pool	4,125,977	5,241,494
State Pool	12,900	12,963
Gross Receipts	\$29,742,116	\$30,054,701

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

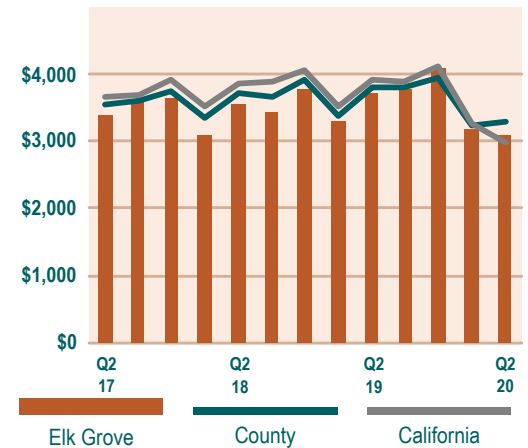
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

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.

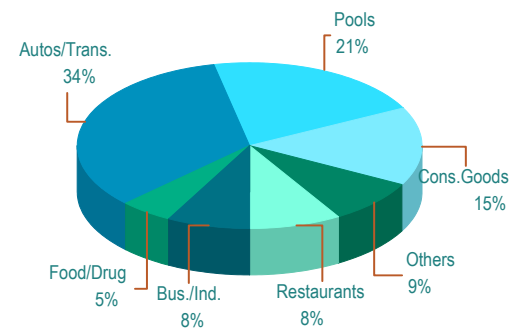
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected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

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP Elk Grove This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

ELK GROVE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Elk Grove Q2 '20*	Change	County Change	HdL State Change
Auto Lease	83.5	-10.8%	-0.7%	-9.2%
Boats/Motorcycles	108.4	40.1%	0.9%	9.2%
Building Materials	— CONFIDENTIAL —	—	5.1%	7.0%
Casual Dining	248.9	-34.6%	-48.0%	-53.2%
Convenience Stores/Liquor	78.9	37.3%	12.0%	8.8%
Discount Dept Stores	— CONFIDENTIAL —	—	-3.5%	-6.3%
Electronics/Appliance Stores	85.8	-53.8%	-41.7%	-50.8%
Fast-Casual Restaurants	77.8	-6.0%	-26.4%	-30.3%
Fulfillment Centers	— CONFIDENTIAL —	—	484.0%	142.7%
Garden/Agricultural Supplies	96.5	39.7%	18.5%	5.6%
Grocery Stores	193.3	18.1%	13.4%	7.8%
New Motor Vehicle Dealers	1,961.4	-2.7%	-9.0%	-15.8%
Quick-Service Restaurants	247.7	-9.6%	-12.3%	-22.0%
Service Stations	299.9	-45.4%	-38.6%	-45.2%
Specialty Stores	92.5	-29.3%	-33.2%	-35.9%
Total All Accounts	5,438.5	-15.5%	-13.2%	-24.0%
County & State Pool Allocation	1,420.0	17.2%	31.6%	28.2%
Gross Receipts	6,858.5	-10.3%	-6.7%	-16.4%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.