

CITY OF ELK GROVE

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



ELK GROVE

TOTAL: \$ 9,231,298

-4.1%

2Q2023



0.1%

COUNTY



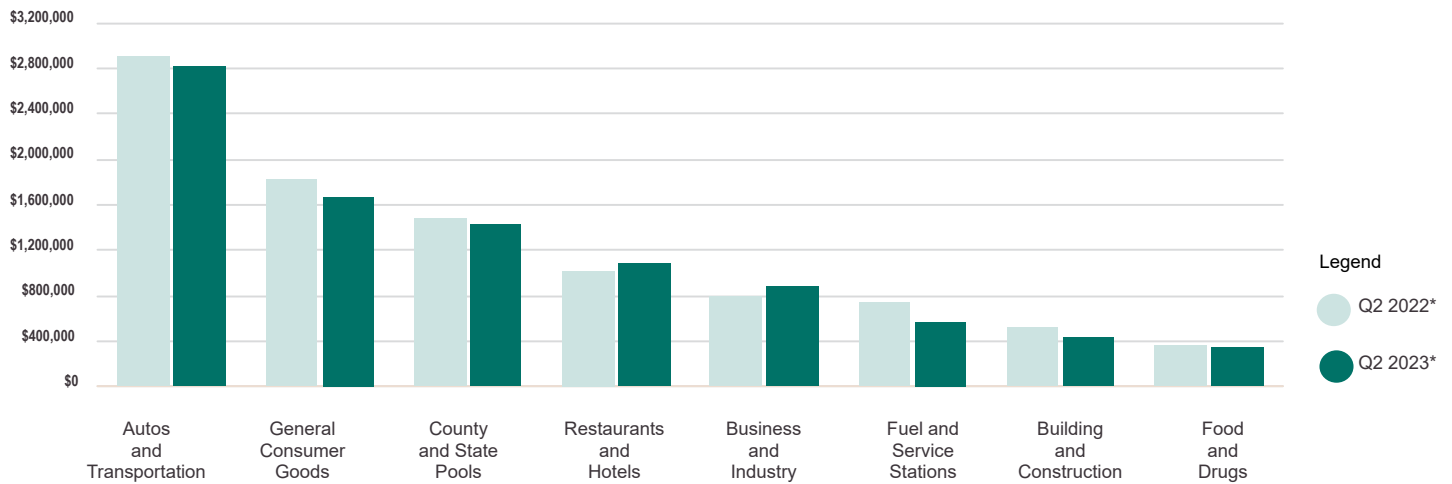
-3.0%

STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure E

TOTAL: \$7,804,555



CITY OF ELK GROVE HIGHLIGHTS

Elk Grove's receipts from April through June were 1.1% below the second sales period in 2022. Excluding reporting aberrations including late payments, receipts for this period were down 4.1%.

The decline this period was led by falling fuel prices, which will prove to be short-lived, as global factors will soon send prices higher. Sales of general consumer goods were also much lower except for spending on pets and personal grooming needs.

Spending on new construction slowed, but not as much as in other areas of the county. One outlet appears to have

closed to retail sales and this further cut receipts.

While new vehicle sales fell 5%, results at individual dealerships varied widely.

During Measure E's first quarter of collections, the rate of compliance by retailers is substantial and reflect the same trends as those described above. A year from now, comparative statistics will be available.

Net of aberrations, taxable sales for all of Sacramento County were flat over the comparable time period while those of the Sacramento region were down 2.2%.



TOP 25 PRODUCERS

- | | |
|------------------------|------------------------------|
| Apple | Enterprise Rent A Car |
| Audi Elk Grove | Green Acres Nursery & Supply |
| Best Buy | Home Depot |
| CDW Government | Kohls |
| Costco | Maita Chevrolet |
| Elk Grove Acura | Niello BMW |
| Elk Grove Buick GMC | Nissan/Mazda of Elk Grove |
| Elk Grove Chrysler | Slakey Brothers |
| Dodge Jeep Ram | Target |
| Elk Grove Ford | Walmart |
| Elk Grove Honda | |
| Elk Grove Hyundai | |
| Elk Grove Kia | |
| Elk Grove Power Sports | |
| Elk Grove Subaru | |
| Elk Grove Toyota | |



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

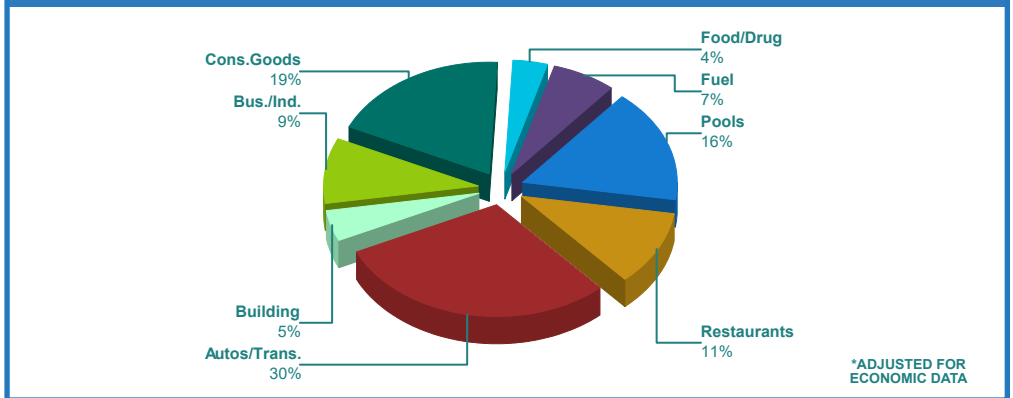
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

REVENUE BY BUSINESS GROUP Elk Grove This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Elk Grove Business Type	Q2 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,347.2	-4.9% ↓	9.7% ↑	-0.3% ↓
Casual Dining	574.5	8.9% ↑	6.0% ↑	4.5% ↑
Service Stations	573.6	-19.8% ↓	-19.0% ↓	-19.9% ↓
Quick-Service Restaurants	368.8	2.8% ↑	3.9% ↑	3.2% ↑
Grocery Stores	193.6	2.4% ↑	2.9% ↑	2.9% ↑
Specialty Stores	172.9	0.6% ↑	-1.3% ↓	-1.3% ↓
Family Apparel	164.1	5.7% ↑	1.1% ↑	-1.0% ↓
Electronics/Appliance Stores	153.5	-14.0% ↓	-12.6% ↓	-6.3% ↓
Boats/Motorcycles	125.7	14.1% ↑	-5.5% ↓	-11.3% ↓
Garden/Agricultural Supplies	124.5	22.5% ↑	1.8% ↑	-2.8% ↓

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