

CITY OF SANTA CRUZ

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



SANTA CRUZ

TOTAL: \$ 2,949,535

-10.0%

3Q2020



-1.4%

COUNTY



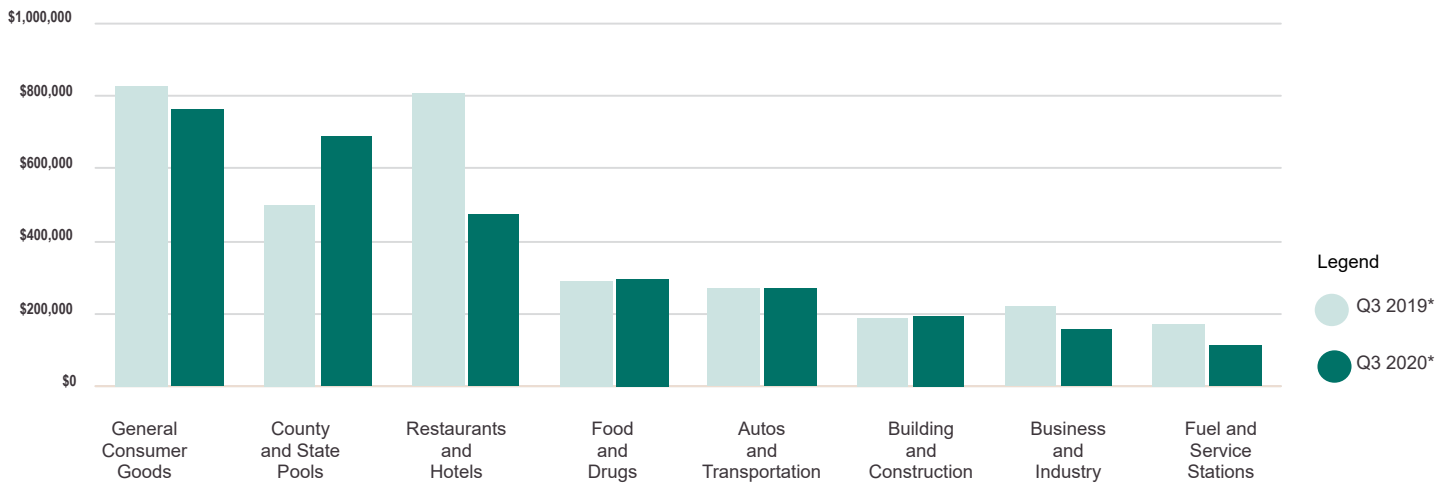
-0.9%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure H

TOTAL: \$1,667,897

↓ -7.9%

Measure S

TOTAL: \$832,946

↓ -8.0%



CITY OF SANTA CRUZ HIGHLIGHTS

Santa Cruz's receipts from July through September were 6.3% below the third sales period in 2019. Excluding late payments and other reporting issues, actual receipts for the period were down 10.0%.

While the numbers rebounded a bit from the prior period, fuel sales and restaurant activity have remained well of the mark. With the weak tourist numbers, general consumer good sales were also lower.

Fortunately, the City's allocation from the use tax pool shot up 37%, aided by AB 147 and the burst in online buying activity spurred on by the pandemic. (AB 147 requires all online sellers to charge

tax). Without this boost, the city's receipts would have been down 19%.

Measures H and S both reported an 8% decline in receipts after adjusting for reporting issues. While vehicle purchases were up sharply, fuel sales, restaurant activity and business-to-business sales were much lower.

Net of adjustments, taxable sales for all of Santa Cruz County declined 1.4% over the comparable time period while those of the entire Central Coast region were down 1.6%.



TOP 25 PRODUCERS

- | | |
|---------------------------|------------------------------------|
| 7 Eleven | Ross |
| Auto One | Safeway |
| Beauty Solutions | San Lorenzo Lumber & Home Center |
| Costco | Santa Cruz Chrysler Dodge Jeep Ram |
| Crows Nest | Santa Cruz Motors |
| CVS Pharmacy | Spokesman Bicycles |
| Future Motion | Sun Shop |
| Gilberts Seafood Grill | Volkswagen Santa Cruz |
| Granite Rock | Westside Hardware |
| Ideal Bar & Grill | Whole Foods Market |
| Kindpeoples Collective | |
| Las Animas Concrete | |
| New Leaf Community Market | |
| North Bay Ford Lincoln | |
| Petsmart | |



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last

year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

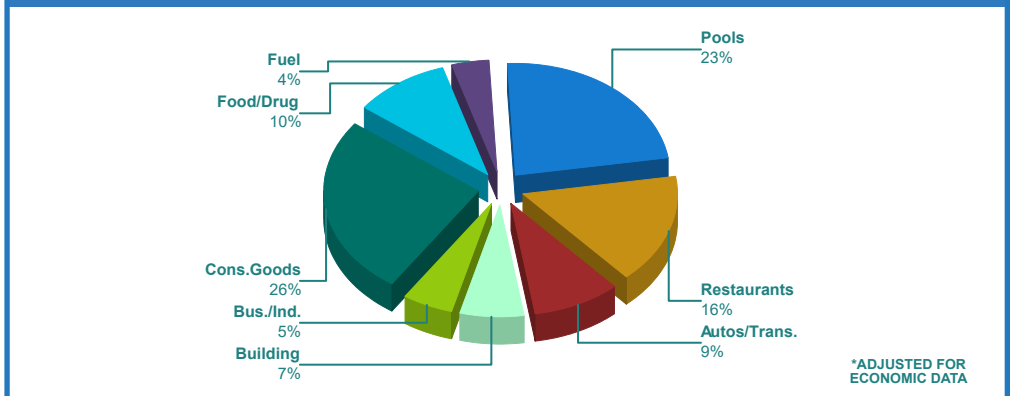
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up

of each jurisdiction's tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP
Santa Cruz This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Santa Cruz Business Type	Q3 '20*	Change	County Change	HdL State Change
Casual Dining	292.4	-36.6% ↓	-32.7% ↓	-38.0% ↓
Grocery Stores	113.5	-3.7% ↓	-0.4% ↓	7.1% ↑
Service Stations	109.9	-36.0% ↓	-27.7% ↓	-29.0% ↓
Quick-Service Restaurants	107.9	-33.9% ↓	-19.5% ↓	-10.2% ↓
Sporting Goods/Bike Stores	107.6	15.1% ↑	22.1% ↑	22.0% ↑
Building Materials	96.0	17.9% ↑	22.3% ↑	16.4% ↑
Contractors	84.1	-7.5% ↓	-2.6% ↓	-5.7% ↓
Light Industrial/Printers	75.1	26.9% ↑	8.4% ↑	-6.0% ↓
Used Automotive Dealers	71.3	19.8% ↑	-6.1% ↓	11.8% ↑
Home Furnishings	68.7	9.4% ↑	6.7% ↑	-3.5% ↓

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