

CITY OF SANTA CRUZ

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



SANTA CRUZ

TOTAL: \$ 3,567,565

21.2%

3Q2021



11.7%

COUNTY



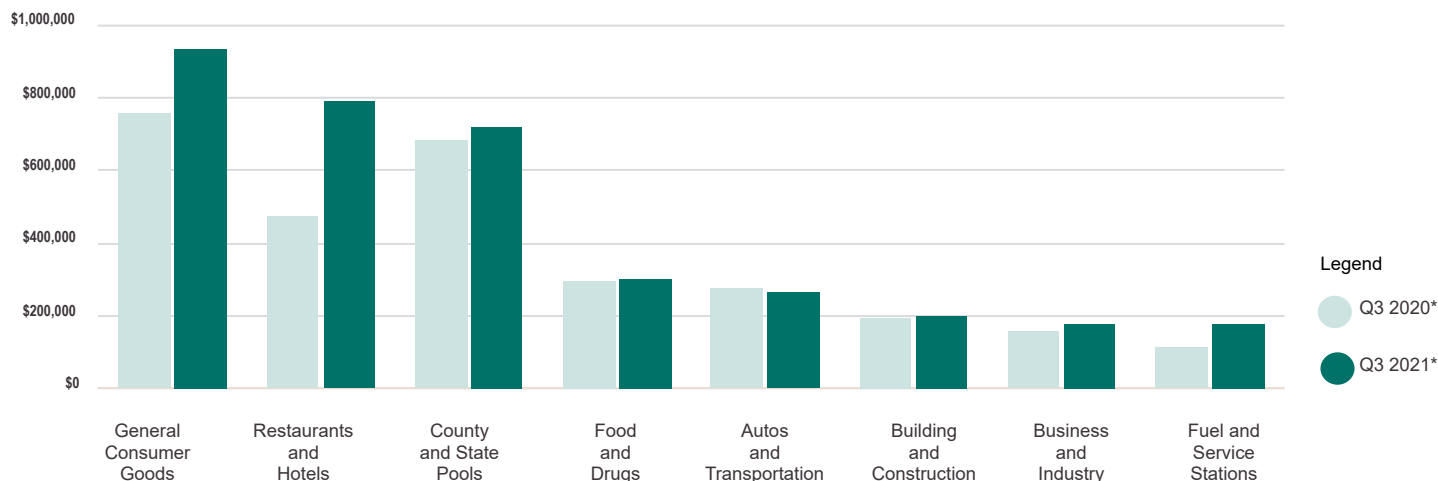
18.2%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure H

TOTAL: \$2,021,853



21.9%



CITY OF SANTA CRUZ HIGHLIGHTS

Santa Cruz's receipts from July through September were 20.2% above the third sales period in 2020. After reporting modifications, actual sales were up 21.2%. Overall place of sale collections soared 25.9% compared to the lows of a year ago during the height of the pandemic shut-downs. Most major sales tax categories experienced significant increases.

Once again general consumer goods boomed, reflecting a return to in-store shopping and consumer spending as people felt safer with the roll-out of vaccines. Sales in apparel and specialty stores helped drive these results. Casual dining roared back as people once again

enjoyed dining out – which may have contributed to reduced grocery store shopping. Similarly, service station revenues spiked as the combination of higher gas prices and increased travel propelled receipts back to pre-pandemic levels.

The City's share of the countywide use tax pool allocations bumped up 5.8%. The pools remain a solid source of revenue, boosted by taxes on online purchases as people continue to embrace the convenience of e-commerce.

Gains in voter-approved Measure H were assisted by merchandise sales and dining.



TOP 25 PRODUCERS

7 Eleven
Beauty Solutions
Chevron
Costco
Crows Nest
CVS Pharmacy
Future Motion
Gilberts Seafood Grill
Granite Rock
Ideal Bar & Grill
Kindpeoples Collective
Las Animas Concrete
North Bay Ford Lincoln
Pacific Wave
Petsmart
Ross

Safeway
San Lorenzo Lumber & Home Center
Santa Cruz Chrysler Dodge Jeep Ram
Santa Cruz Dream Inn
Santa Cruz Motors
Santa Cruz Seaside
Sun Shop
Volkswagen Santa Cruz
Whittings Food Concession



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

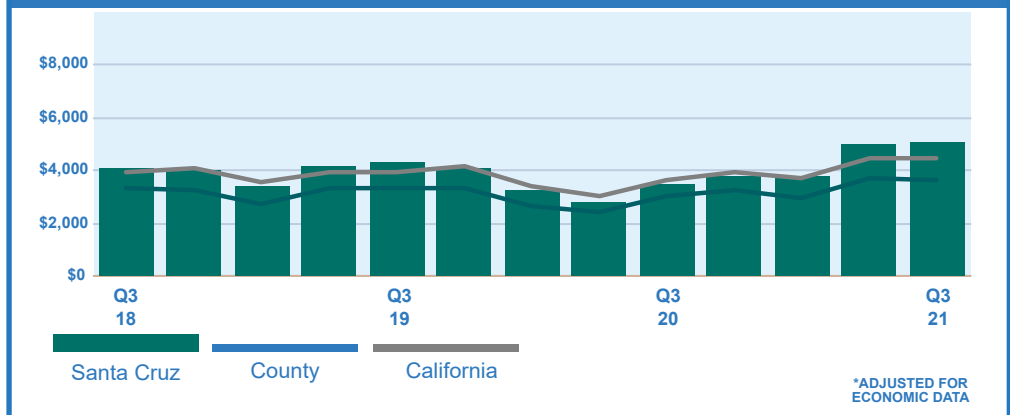
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome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

| Santa Cruz Business Type | Q3 '21* | Change | County Change | HdL State Change |
|----------------------------|---------|----------|---------------|------------------|
| Casual Dining | 459.8 | 55.4% ↑ | 53.6% ↑ | 68.4% ↑ |
| Service Stations | 174.4 | 58.6% ↑ | 42.9% ↑ | 53.4% ↑ |
| Quick-Service Restaurants | 168.6 | 55.8% ↑ | 20.8% ↑ | 13.5% ↑ |
| Grocery Stores | 116.1 | 3.0% ↑ | 0.8% ↑ | -0.2% ↓ |
| Sporting Goods/Bike Stores | 108.8 | 0.8% ↑ | -2.9% ↓ | 2.2% ↑ |
| Building Materials | 97.2 | 1.3% ↑ | 3.3% ↑ | 5.4% ↑ |
| Family Apparel | 91.8 | 57.8% ↑ | 32.5% ↑ | 39.0% ↑ |
| Contractors | 86.9 | 5.1% ↑ | 9.4% ↑ | 12.2% ↑ |
| Leisure/Entertainment | 85.4 | 424.3% ↑ | 212.3% ↑ | 270.3% ↑ |
| Home Furnishings | 78.5 | 14.4% ↑ | 5.8% ↑ | 11.0% ↑ |

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars