

# CITY OF SANTA CRUZ

## SALES TAX UPDATE

### 2Q 2023 (APRIL - JUNE)



#### SANTA CRUZ

TOTAL: \$ 3,469,240

-5.2%  
2Q2023



-0.7%  
COUNTY

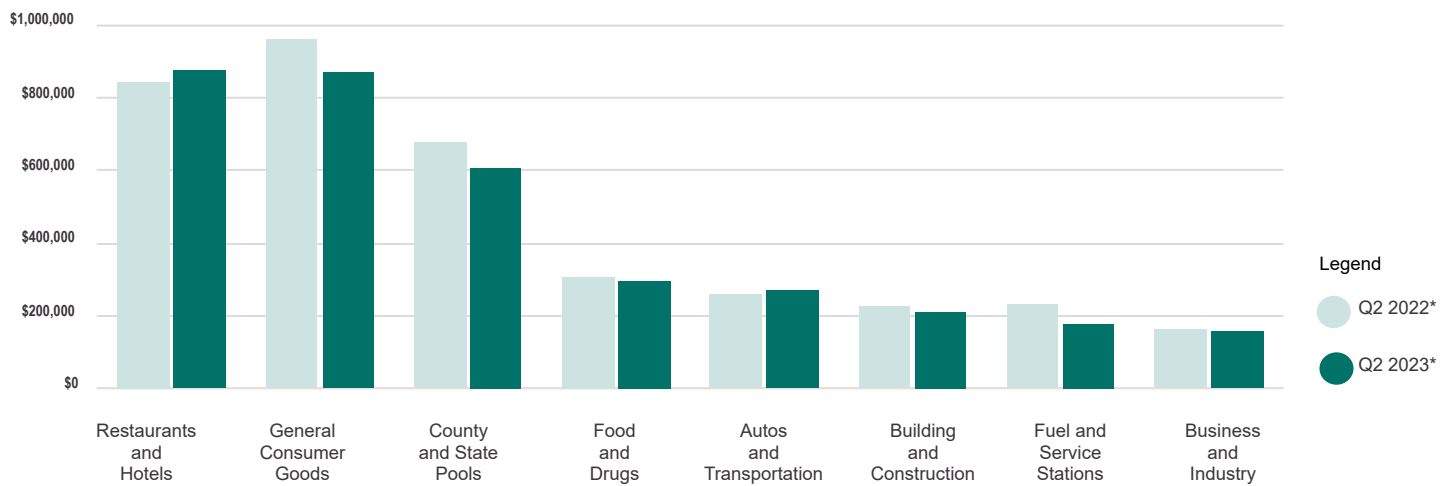


-3.0%  
STATE



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

#### SALES TAX BY MAJOR BUSINESS GROUP



#### Measure H

TOTAL: \$2,116,905

↓ -2.4%



#### CITY OF SANTA CRUZ HIGHLIGHTS

Santa Cruz's gross receipts from April through June 2023 were 3.4% below the second sales period in 2022. However, after adjusting for reporting modifications such as audit corrections and delayed payments, actual sales were down 5.2%. Sales softened in multiple sectors as economic factors influenced some buying decisions.

Visitors and locals enjoyed dining out at casual and quick service restaurants – as well as visiting leisure/entertainment venues during the spring months. Automotive supply and repair shops, along with used car sales, boosted autos-transportation receipts.

Conversely, consumers were cautious and did not spend as much as a year ago

– with most retail sectors experiencing declines. While grocery store receipts improved, convenience store and cannabis revenues dropped.

The City's allocation from the countywide use tax pool dipped 10.1% as ecommerce and third party auto sales slowed throughout the county. The statewide fall in crude oil prices pushed down service station revenues 22.6%.

Voter-approved Measure H posted similar results, with fuel-service station revenues experiencing the largest decline.

Net of adjustments, taxable sales for the Central Coast region declined 1.7% over the comparable time period.



#### TOP 25 PRODUCERS

7 Eleven  
Beauty Solutions  
Cannacruz  
Chevron  
Costco  
Crows Nest  
CVS Pharmacy  
Granite Rock  
Ideal Bar & Grill  
Kindpeoples Collective  
Las Animas Concrete  
North Bay Ford Lincoln  
PetSmart  
Regents University of California  
Ross  
Rotten Robbie

Safeway  
San Lorenzo Lumber & Home Center  
Santa Cruz Dream Inn  
Santa Cruz Seaside  
Sav On Gasoline  
Sun Shop  
Volkswagen Santa Cruz  
Whittings Food Concession  
Whole Foods Market



## 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.

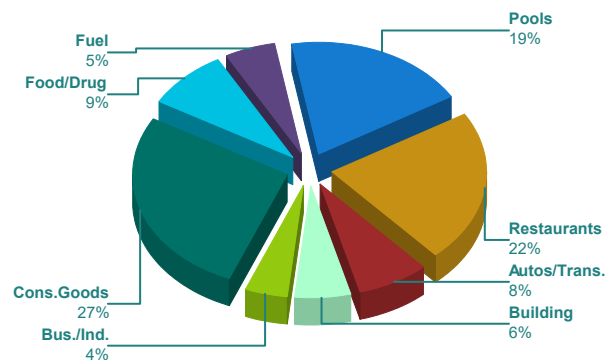
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets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



\*ADJUSTED FOR ECONOMIC DATA

## TOP NON-CONFIDENTIAL BUSINESS TYPES

Santa Cruz Business Type	Q2 '23*	Change	County Change	HdL State Change
Casual Dining	490.4	6.0% ↑	0.6% ↑	4.5% ↑
Quick-Service Restaurants	197.1	5.0% ↑	2.5% ↑	3.2% ↑
Service Stations	177.5	-22.6% ↓	-18.8% ↓	-19.9% ↓
Grocery Stores	125.1	2.2% ↑	2.8% ↑	2.9% ↑
Building Materials	101.2	-0.4% ↓	2.8% ↑	-7.8% ↓
Contractors	92.9	-15.2% ↓	4.1% ↑	-2.8% ↓
Leisure/Entertainment	85.5	-2.2% ↓	-4.5% ↓	2.9% ↑
Sporting Goods/Bike Stores	79.8	-17.9% ↓	-16.4% ↓	-9.1% ↓
Family Apparel	77.2	-5.7% ↓	-2.9% ↓	-0.9% ↓
Specialty Stores	70.5	-0.5% ↓	-5.0% ↓	-1.3% ↓

\*Allocation aberrations have been adjusted to reflect sales activity

\*In thousands of dollars