

CITY OF ELK GROVE

SALES TAX UPDATE

1Q 2023 (JANUARY - MARCH)



ELK GROVE

TOTAL: \$ 8,950,461

-2.5%

1Q2023



-2.6%

COUNTY



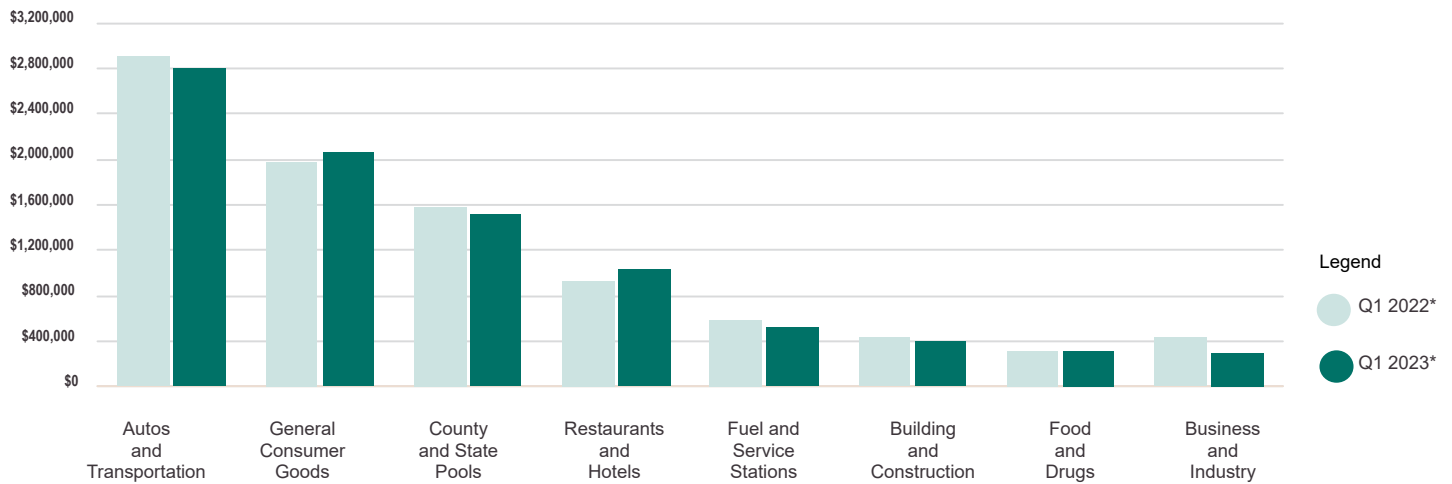
-1.1%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF ELK GROVE HIGHLIGHTS

Elk Grove's receipts from January through March were 8.7% below the first sales period in 2022. Year ago double payments exaggerated cash decrease comparisons. Excluding reporting aberrations, actual sales were down 2.5%.

Recent additions helped expand the tax base for new motor vehicle dealerships while sales volumes held steady; however, returns fell 5% as lending costs increased and above MSRP auto prices started to decline. Related, auto leasing taxes shrank 15%.

Year ago hyper-inflated lumber prices plummeted; material supplier's payments deteriorated 7%; weakened demand for contractor services and other products also hurt building-construction comparisons.

Fewer online sales tied to out-of-state merchandise shipments pulled pool

allocations 4% lower. The 29% drop in business-industry revealed a combination of year-ago big sales numbers for office supplies/furniture along with fewer transactions reported by garden/agricultural suppliers.

Recall per gallon pump rates reached record heights in 2022; recent crude oil price declines meant less out of pocket customer costs and an 11% reduction from service stations.

Bright spots included strong preferences for eating out remained; casual dining jump was above norms and inclusive of a store remodeling-closure in the prior year.

Net of aberrations, taxable sales for all of the Sacramento region dwindled 3.6%.



TOP 25 PRODUCERS

- Apple
- Audi Elk Grove
- Best Buy
- Chevron
- Costco
- Elk Grove Acura
- Elk Grove Buick GMC
- Elk Grove Chrysler
- Dodge Jeep Ram
- Elk Grove Ford
- Elk Grove Honda
- Elk Grove Hyundai
- Elk Grove Kia
- Elk Grove Subaru
- Elk Grove Toyota
- Elk Grove Volkswagen
- Enterprise Rent A Car
- Grantline Arco
- Home Depot
- Homewood Lumber

- Maita Chevrolet
- Niello BMW
- Nissan/Mazda of Elk Grove
- Slakey Brothers
- Target
- Walmart



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC’s recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods’ returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

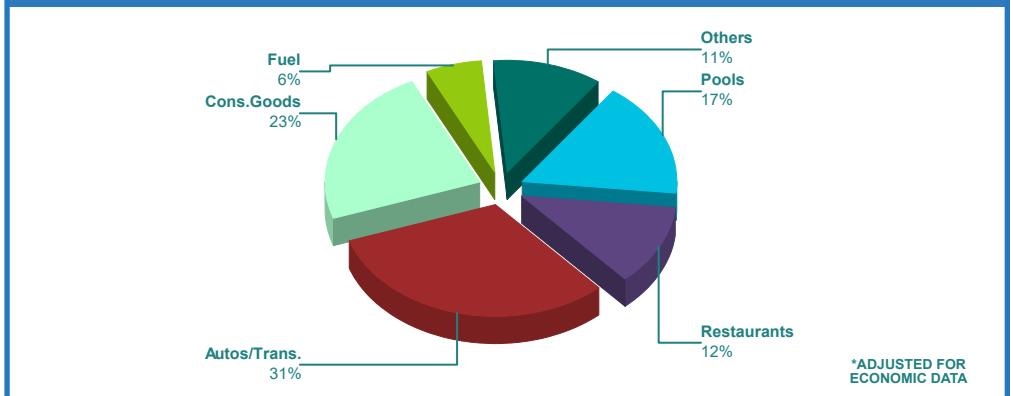
of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve’s actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

REVENUE BY BUSINESS GROUP
Elk Grove This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Elk Grove Business Type	Q1 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,372.4	-4.5% ↓	0.7% ↑	0.8% ↑
Electronics/Appliance Stores	640.8	12.7% ↑	4.4% ↑	-2.1% ↓
Casual Dining	546.2	12.0% ↑	10.8% ↑	9.7% ↑
Service Stations	524.9	-11.3% ↓	-11.7% ↓	-9.8% ↓
Quick-Service Restaurants	356.6	14.1% ↑	5.2% ↑	5.1% ↑
Building Materials	253.5	-7.3% ↓	-11.8% ↓	-9.7% ↓
Grocery Stores	174.2	3.1% ↑	4.5% ↑	5.5% ↑
Specialty Stores	158.0	12.5% ↑	1.1% ↑	3.8% ↑
Family Apparel	127.3	0.2% ↑	-1.1% ↓	2.3% ↑
Fast-Casual Restaurants	112.0	0.2% ↑	5.7% ↑	6.4% ↑

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