

CITY OF ELK GROVE

SALES TAX UPDATE

3Q 2023 (JULY - SEPTEMBER)



ELK GROVE

TOTAL: \$ 10,101,090

-0.4%

3Q2023



-1.1%

COUNTY



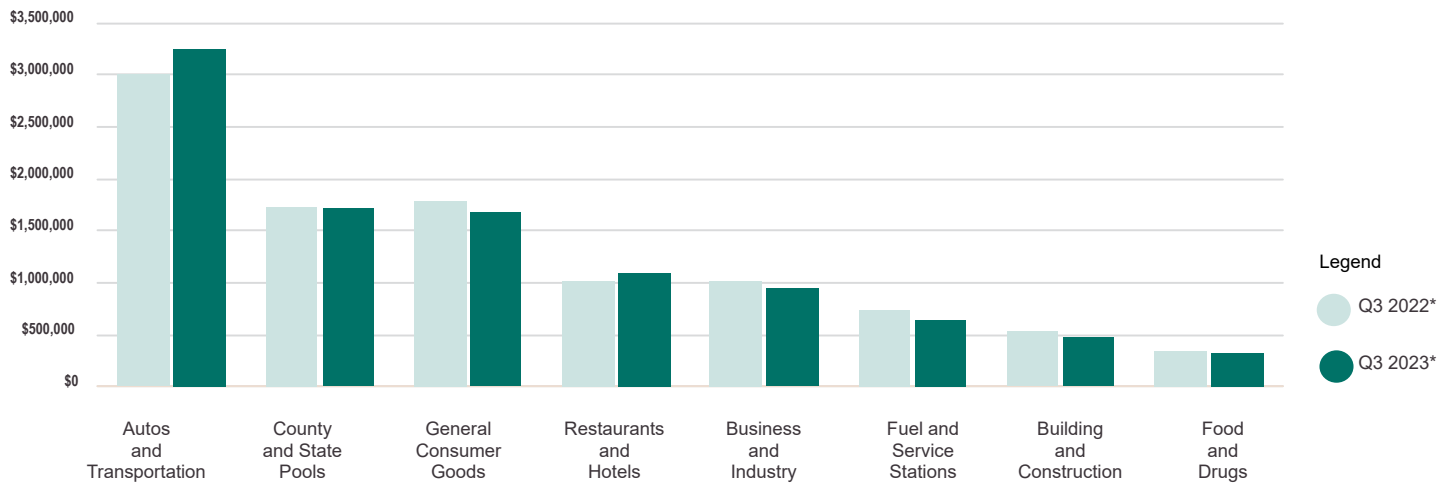
-1.6%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



TOTAL: 8,538,195



CITY OF ELK GROVE HIGHLIGHTS

Elk Grove's receipts from July through September were 1.1% above the third sales period in 2022. Excluding reporting aberrations, actual sales were down 0.4%.

The City experienced mixed results with some strong gains helping to offset the lower returns. Auto sales soared as new vehicles were snapped up with improved inventory. Many dealers have returned to offering incentives, and this sector outperformed regional and state results, although results varied depending on the local dealership.

All restaurant segments reported solid sales, helped by a newer quick service outlet. Some operators have reported

that gains may be due to menu price increases rather than more customers. Fuel-service station payments suffered the third quarter of double-digit declines after price spikes to fill-up at the pump last year. This affects retailers that sell fuel in the general consumers group as shoppers also pulled back on discretionary purchases for lower receipts. Reductions included electronics and home furnishing retailers. There is cautious optimism for the holiday season based on early retail forecasts.

Voter approved Measure E collected the second quarter of receipts with general consumer goods, automotive and restaurant sales the top groups.



TOP 25 PRODUCERS

- | | |
|----------------------|---------------------------|
| Apple | Enterprise Rent A Car |
| Audi Elk Grove | Grantline Arco |
| Best Buy | Home Depot |
| Chevron | 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 Subaru | |
| Elk Grove Toyota | |
| Elk Grove Volkswagen | |



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

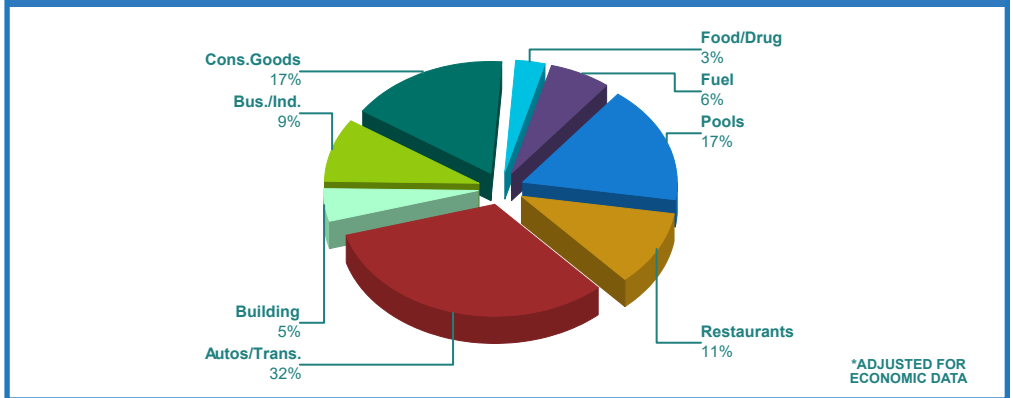
Despite continued increases of new car registrations, revenue from the autos-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for 'fast food restaurants'.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingering consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

REVENUE BY BUSINESS GROUP Elk Grove This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Elk Grove Business Type	Q3 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,783.2	8.6% ↑	3.0% ↑	-2.4% ↓
Service Stations	637.3	-11.8% ↓	-7.8% ↓	-7.4% ↓
Casual Dining	557.1	5.3% ↑	3.3% ↑	2.8% ↑
Quick-Service Restaurants	400.0	10.2% ↑	3.6% ↑	2.7% ↑
Grocery Stores	181.5	1.7% ↑	1.8% ↑	2.3% ↑
Specialty Stores	162.0	0.6% ↑	-2.5% ↓	-2.0% ↓
Family Apparel	149.6	2.5% ↑	3.2% ↑	3.1% ↑
Electronics/Appliance Stores	143.8	-13.0% ↓	-18.0% ↓	-14.1% ↓
Fast-Casual Restaurants	117.0	3.2% ↑	4.1% ↑	3.3% ↑
Boats/Motorcycles	109.3	3.3% ↑	-20.8% ↓	-10.6% ↓

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