

CITY OF SONOMA

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



SONOMA

TOTAL: \$ 754,851

-17.0%

3Q2020



-1.6%

COUNTY



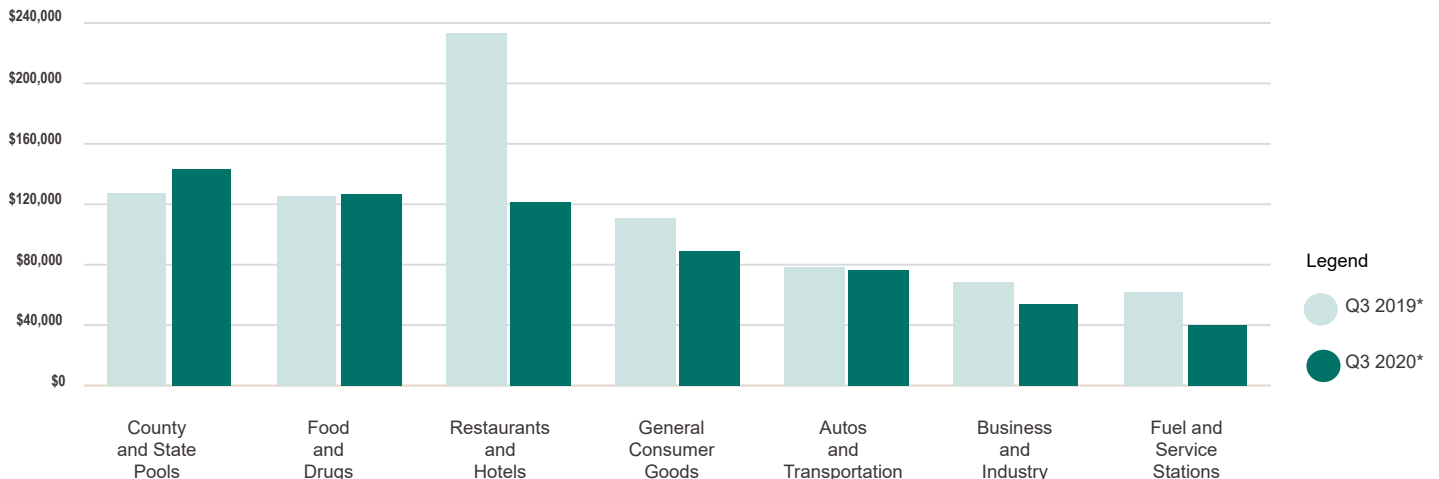
-0.9%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure U

TOTAL: \$592,221

↓ -12.8%



CITY OF SONOMA HIGHLIGHTS

Sonoma's receipts from July through September were 20.5% below the third sales period in 2019. Excluding reporting adjustments, actual receipts for the period were down 17.0%.

Results for local businesses were actually lower, at -21.7% compared to this time last year as restaurants, lodging and gas station losses continued through the quarter.

As consumers and businesses shifted buying to online sources, the countywide use tax pool jumped 43% in total value. This increase caused the City's allocation to rise

by 11% which cut the overall drop in agency receipts to 17%.

Measure U, the city's district tax, brought in \$592,221 this quarter. After adjusting for reporting anomalies, the result is a decline of nearly 13% as all major business groups reporting a decline in activity. Online sales helped minimize the decline in general consumer good receipts.

Net of adjustments, taxable sales for all of Sonoma County declined 1.6% over the comparable time period while those of the entire Bay Area region were down 5.8%.



TOP 25 PRODUCERS

- | | |
|------------------------------|-----------------------------|
| Bedrock Wine | Red Grape Pizzeria |
| Chevron | Rite Aid |
| CVS Pharmacy | Safeway |
| El Dorado Kitchen | Shell |
| Friedmans Home Improvement | Silveira Chevrolet |
| Girl & The Fig | Sonoma Market |
| Hopmonk Tavern | Sonoma Paint Center |
| Jack in the Box | Staples |
| Jacks Filling Station | Three Sticks Wines |
| Jolly Washer Service Station | Villa Terrazza Patio & Home |
| Lucky | Whole Foods Market |
| Mary's Pizza Shack | |
| O'Reilly Auto Parts | |
| Pet Food Express | |



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.

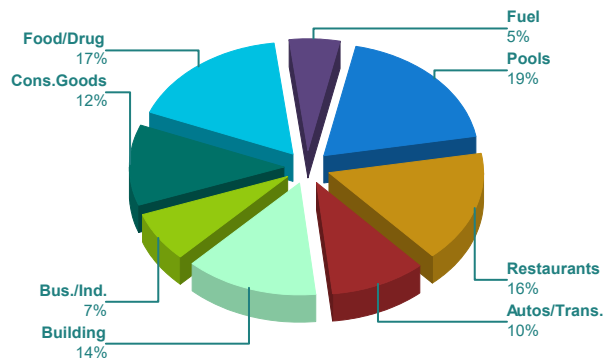
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until 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
Sonoma This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Sonoma Business Type	Q3 '20	Change	County Change	HdL State Change
Grocery Stores	86,743	5.2% ↑	6.7% ↑	7.2% ↑
Casual Dining	71,292	-38.7% ↓	-33.2% ↓	-37.9% ↓
Wineries	40,714	-17.8% ↓	36.3% ↑	-3.3% ↓
Service Stations	40,499	-34.4% ↓	-27.6% ↓	-29.0% ↓
Home Furnishings	27,405	2.3% ↑	-11.9% ↓	-3.3% ↓
Fine Dining	20,167	-43.3% ↓	-43.8% ↓	-51.2% ↓
Specialty Stores	17,661	-11.8% ↓	-10.6% ↓	-8.5% ↓
Hotels-Liquor	15,702	-70.1% ↓	-55.1% ↓	-74.7% ↓
Convenience Stores/Liquor	10,753	-13.2% ↓	9.4% ↑	14.9% ↑
Quick-Service Restaurants	9,458	-19.5% ↓	-8.4% ↓	-10.3% ↓

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