

CITY OF SONOMA

SALES TAX UPDATE

4Q 2020 (OCTOBER - DECEMBER)



SONOMA

TOTAL: \$ 798,529

-11.1%

4Q2020



-2.1%

COUNTY



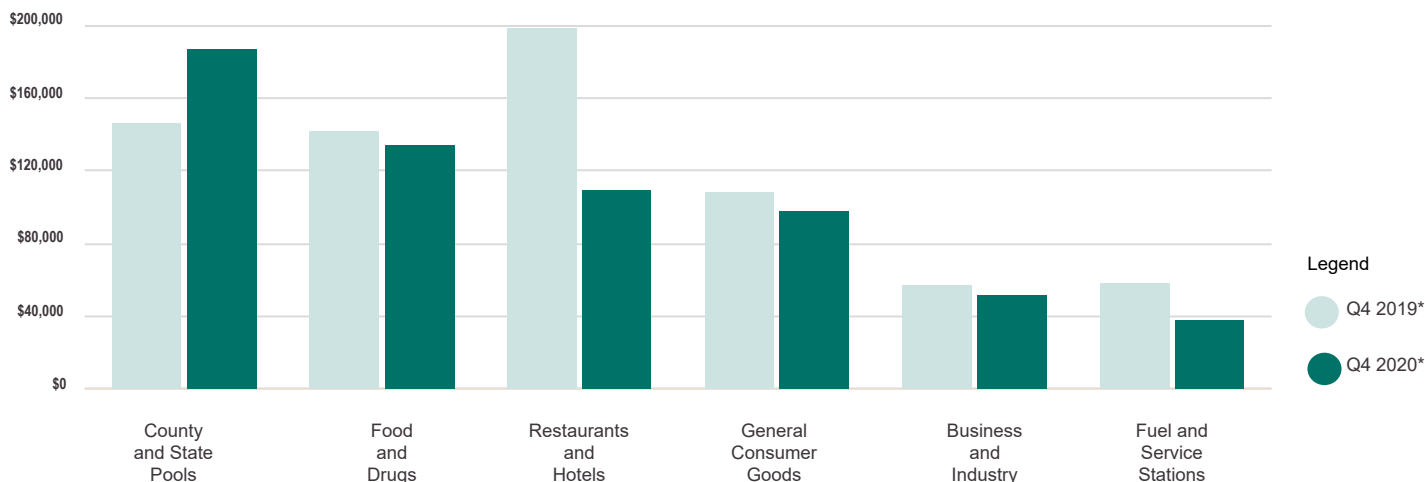
-2.0%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Measure U

TOTAL: \$598,863

↓ -5.2%



CITY OF SONOMA HIGHLIGHTS

Sonoma's receipts from October through December were 3.7% below the fourth sales period in 2019. After correcting for late/deferred taxpayer filings and other adjustments, actual sales were down 11.1%.

Place of sale collections declined 18.7% as the pandemic economy weighed heavily on certain business sectors. Decreased activity pushed auto-transportation below the prior year, and reduced driving miles and lower gas prices suppressed service station revenues. Similarly, restaurant and hotel receipts plummeted as the crisis curtailed travel activity and on-premises dining.

Mirroring statewide trends, building-construction receipts swelled. Also helping to offset some of the losses, the City's share of the countywide use tax pool allocations was up 27.7%, boosted by new taxes on out-of-state online purchases from full implementation of AB147 (Wayfair), and surges in online shopping.

Voter-approved Measure U generated \$598,863. While down overall, the district tax was bolstered by auto, building materials, and online sales.



TOP 25 PRODUCERS

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



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring October through December, the holiday shopping season, was 1.9% lower than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous periods. Lower receipts were primarily concentrated in the Bay Area and coastal southern regions while much of inland California, including the San Joaquin Valley, Inland Empire, and northern regions, exhibited solid gains.

As expected, the larger place of sale categories which have been negatively impacted throughout the pandemic continue to be brick and mortar general consumer goods retailers like family apparel, department, and electronics/appliance stores. With limited to zero allowed indoor dining (depending on a County's Covid-19 tier assignment), restaurants and hotels suffered the largest losses especially in communities that strongly rely on tourism. Although the workforce has slowly begun to return to physical office environments, fuel and service stations revenues lagged the prior year performance.

It does not appear that Governor Newsom's second 'shelter at home' directive, initiated by the increase in Covid-19 cases had an impact on overall results. While some merchants chose to utilize the Governor's executive order allowing for a 90-day deferral of sales tax remittance, it was substantially less than the similar opportunity companies utilized during the 1st and 2nd quarters of 2020. The outstanding payments for most California cities will be remitted before the end of the 2020-21 fiscal year.

On the bright side, as consumer confidence stabilized post the national

presidential election, customers were motivated to comfortably spend on high-end luxury automobiles, boats-motorcycles, RVs, and sporting goods/equipment.

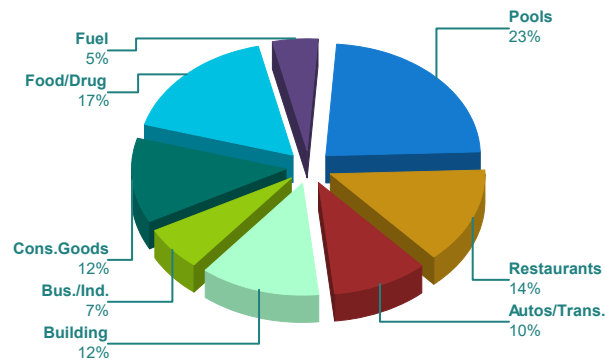
The building-construction sector, with 1) increased price of goods - like lumber, 2) continued home improvement projects, and 3) advantageous fall/winter weather conditions saw strong gains that remained consistent throughout the calendar year.

Exponential growth from countywide use tax pools further helped offset the declines. Greater online shopping signifying a permanent shift of consumer

habits to this more convenient experience was inevitable.

On the horizon, mass deployment of the Covid-19 vaccine will help a greater number of businesses, restaurants and theme parks to reach reopen status. Recent approval of the American Rescue Plan Act of 2021 will further support greater consumer spending, albeit in targeted segments. Pent up demand for summer outdoor experiences and travel is likely and thereby household spending is temporarily reverted away from taxable goods when compared to recent activity.

REVENUE BY BUSINESS GROUP
Sonoma This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Sonoma Business Type	Q4 '20	Change	County Change	HdL State Change
Grocery Stores	95,599	0.6% ↑	4.1% ↑	5.2% ↑
Casual Dining	58,648	-41.6% ↓	-35.7% ↓	-39.4% ↓
Service Stations	37,853	-35.3% ↓	-30.1% ↓	-31.2% ↓
Wineries	36,737	-5.7% ↓	-4.4% ↓	-5.9% ↓
Home Furnishings	31,115	27.7% ↑	-0.9% ↓	1.1% ↑
Specialty Stores	19,857	-14.7% ↓	0.4% ↑	-6.7% ↓
Hotels-Liquor	18,542	-59.0% ↓	-64.2% ↓	-79.8% ↓
Fine Dining	14,699	-53.5% ↓	-49.0% ↓	-54.4% ↓
Quick-Service Restaurants	9,721	-13.3% ↓	-8.7% ↓	-8.7% ↓
Convenience Stores/Liquor	8,078	-31.8% ↓	-3.2% ↓	-2.0% ↓

*Allocation aberrations have been adjusted to reflect sales activity