

CITY OF SONOMA

SALES TAX UPDATE

1Q 2021 (JANUARY - MARCH)



SONOMA

TOTAL: \$ 667,333

-2.2%

1Q2021



5.5%

COUNTY



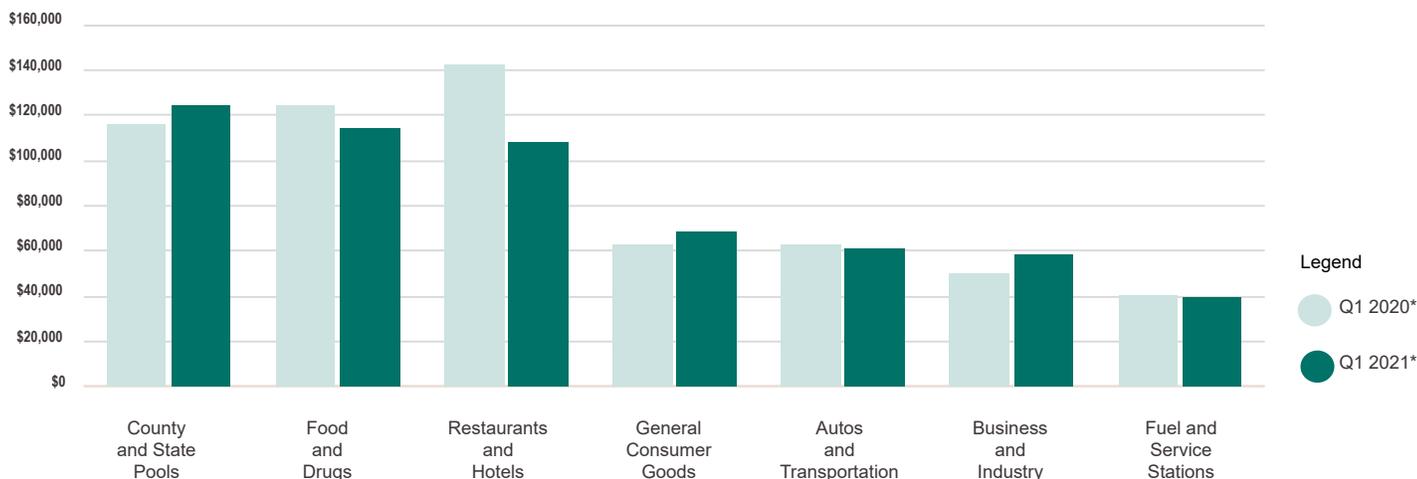
9.5%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure U

TOTAL: \$557,039

↑ 6.6%



CITY OF SONOMA HIGHLIGHTS

Sonoma's receipts from January through March were 10.5% above the first sales period in 2020. However, due to \$114,000 of late and deferred tax payments owed a year ago this comparison was temporarily exaggerated. Excluding reporting aberrations, actual sales were down 2.2%.

The COVID-19 crisis lingered into the first months of 2021. Food-drugs saw prior year temporary buying surges as consumers dealt with the pandemic onset. Indoor seating was limited for a portion of the current quarter; thus declines materialized from fine and casual dining restaurants. Hotels occupancies remained low; sales

suffered correspondingly.

Savvy wineries adapted new business strategies which helped boost sales. Gains came from home furnishings, auto supply stores and industry segments deemed confidential for reporting purposes. Business-industry climbed 16% over first quarter 2020 filings.

Residents acquired more used and new vehicles; consumer spending strength on building supplies, furniture and online merchandise accounted for the majority of higher Measure U revenues noted above in the blue bar.

Net of aberrations, taxable sales for the Bay Area grew a modest 0.8%.



TOP 25 PRODUCERS

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



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor’s first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV’s, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions.

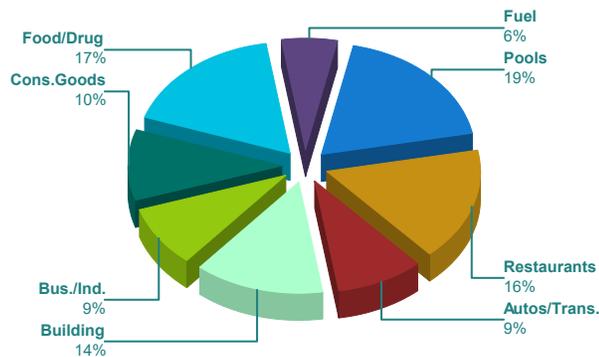
Changes in business structure required a taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online.

Although indoor dining was available in

many counties, the recovery for restaurants and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.

REVENUE BY BUSINESS GROUP Sonoma This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Sonoma Business Type	Q1 '21	Change	County Change	HdL State Change
Grocery Stores	76,167	-8.1% ↓	-7.3% ↓	-6.3% ↓
Casual Dining	61,097	-20.5% ↓	-16.8% ↓	-18.9% ↓
Wineries	44,063	23.2% ↑	-0.5% ↓	0.8% ↑
Service Stations	39,373	-3.3% ↓	-5.1% ↓	-3.9% ↓
Home Furnishings	22,634	22.6% ↑	11.0% ↑	19.3% ↑
Fine Dining	16,409	-20.2% ↓	-17.8% ↓	-33.3% ↓
Specialty Stores	14,522	-8.8% ↓	6.7% ↑	9.0% ↑
Hotels-Liquor	12,128	-56.8% ↓	-46.7% ↓	-72.1% ↓
Convenience Stores/Liquor	11,300	-5.1% ↓	8.3% ↑	10.6% ↑
Quick-Service Restaurants	10,268	3.3% ↑	3.8% ↑	1.1% ↑

*Allocation aberrations have been adjusted to reflect sales activity