

CITY OF SONOMA

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



SONOMA

TOTAL: \$ 971,460

26.1%
3Q2021



11.5%
COUNTY

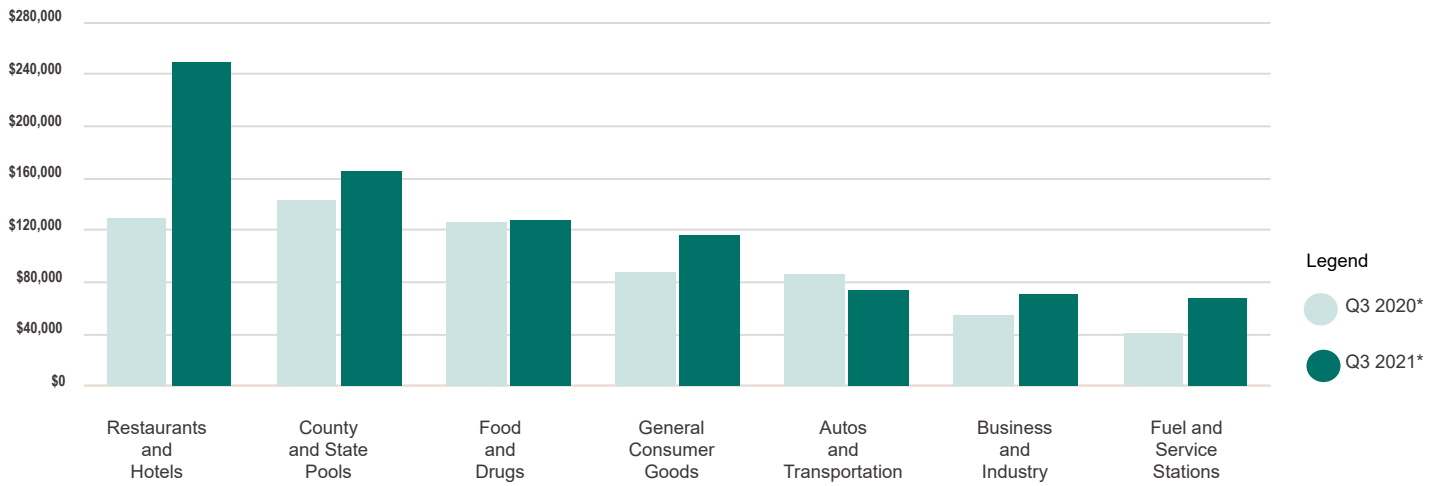


18.3%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure U

TOTAL: \$758,571

27.0%



CITY OF SONOMA HIGHLIGHTS

Sonoma's receipts from July through September were 37.4% above the third sales period in 2020. Excluding reporting aberrations, actual sales were up 26.1%.

Classifications that rely heavily on walk in traffic to generate sales noticed a substantial improvement over the prior year.

This evidence of pandemic recovery was most profound in restaurants-hotels, up 94%; all segments had significant rebounds over 2020 filings. Causal and fine dining, hotels were three of the top eight taxpaying segments.

General consumer goods were also

better; home furnishings and apparel supplied much of this growth. Business-industry bounced back 30%; winery visits led the way.

Because the City's place of sale gains by local merchants rose 28%, the related use tax allocations increased proportionally.

Service stations benefited from greater tourism as more gallons at higher pump prices were sold.

Like sales tax, Measure U revealed dramatic tax jumps from eateries, general retailers. In addition, local residents bought more available new vehicles as inventory constraints persisted.



TOP 25 PRODUCERS

- | | |
|------------------------------|-----------------------------|
| Chevron | Rite Aid |
| CVS Pharmacy | Safeway |
| Della Santinas Trattoria | Shell |
| El Dorado Kitchen | Silveira Chevrolet |
| Friedmans Home Improvement | Sonoma Market |
| Girl & The Fig | Sonoma Paint Center |
| Hopmonk Tavern | Staples |
| Jacks Filling Station | Sunflower Caffe |
| Jolly Washer Service Station | Three Sticks Wines |
| Lodge at Sonoma | Villa Terrazza Patio & Home |
| Lucky | Whole Foods Market |
| MacArthur Place Hotel | |
| Mary's Pizza Shack | |
| Pet Food Express | |



STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor’s Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar

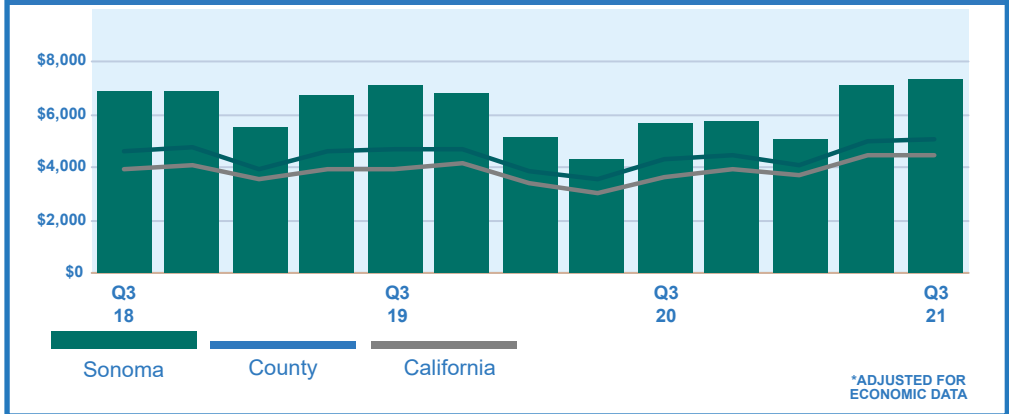
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building

materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer’s disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Sonoma Business Type	Q3 '21	Change	County Change	HdL State Change
Casual Dining	135,700	79.4% ↑	55.8% ↑	68.4% ↑
Grocery Stores	85,636	-1.3% ↓	0.7% ↑	-0.2% ↓
Service Stations	67,680	67.1% ↑	42.9% ↑	53.6% ↑
Wineries	50,958	26.0% ↑	6.8% ↑	26.0% ↑
Hotels-Liquor	46,325	195.0% ↑	128.4% ↑	165.7% ↑
Fine Dining	43,197	114.2% ↑	92.8% ↑	84.4% ↑
Home Furnishings	40,704	29.6% ↑	15.7% ↑	11.0% ↑
Specialty Stores	24,229	36.6% ↑	27.6% ↑	21.4% ↑
Women's Apparel	14,876	66.0% ↑	68.9% ↑	67.9% ↑
Fast-Casual Restaurants	13,072	77.2% ↑	14.4% ↑	18.8% ↑

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