

SANTA CRUZ COUNTY

SALES TAX UPDATE

4Q 2020 (OCTOBER - DECEMBER)



SANTA CRUZ COUNTY

TOTAL: \$ 3,692,562

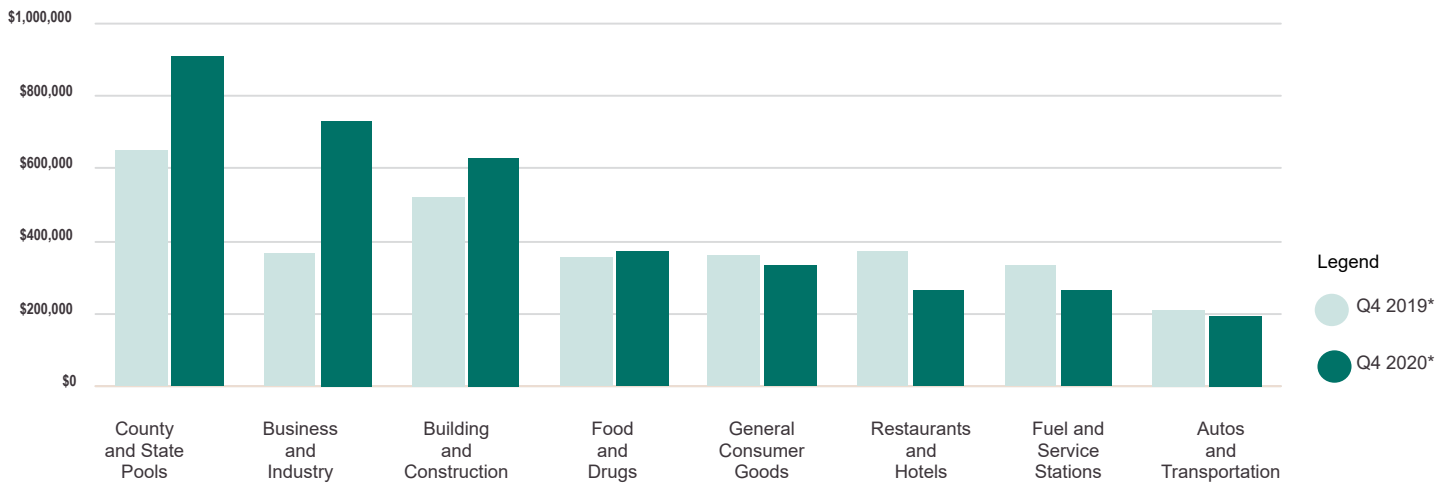
16.2%
COUNTY UNINC. ↑

2.4%
COUNTY ↑

-2.0%
STATE ↓

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

SALES TAX BY MAJOR BUSINESS GROUP



Measure G

TOTAL: \$2,297,465

↑ 5.9%

Measure R

TOTAL: \$3,055,283

↑ 0.2%



SANTA CRUZ COUNTY HIGHLIGHTS

The unincorporated area's receipts from October through December were 13.4% above the fourth sales period in 2019. Excluding reporting aberrations, actual sales were up 16.2%.

This is the third full quarter impacted by the pandemic, with local place of sale receipts up 10.2%. The stable housing market contributed to a big rise in spending at building material suppliers. Also, with people unable to dine out, food-drug sales jumped.

Business-Industry returns are skewed by a one-time payment this quarter that may be subject to a future adjustment. A continued reduction in driving miles and

lower gas prices pushed service station revenues down. Similarly, restaurant and hotel receipts fell as the crisis curtailed travel activity and on-premises dining.

On a positive note, the county's share of the countywide use tax pool allocations was up 39.7%. This growth was boosted by new taxes on out-of-state purchases from full implementation of AB147, and surges in online shopping.

Net of aberrations, taxable sales for all of Santa Cruz County grew 2.4% over the comparable time period; the Central Coast region was up 0.3%.



TOP 25 PRODUCERS

- | | |
|-----------------------------|-----------------------------|
| 76 | Ocean Honda |
| ABC Supply Co | Palace Art & Office Supply |
| Ajs Chevron Mart & Car Wash | Pet Pals |
| Best Buy | Probuild Company |
| Big Creek Lumber | Quik Stop |
| Chevron | Rite Aid |
| Crop Production Services | Safeway |
| Felton Chevron | Safeway Fuel |
| Ferguson Enterprises | Santa Cruz Naturals |
| Granite Construction | Scarborough Building Supply |
| Home Depot | Twig Education |
| Independent Electric Supply | |
| Kind Peoples Collective | |
| Marshalls | |



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.

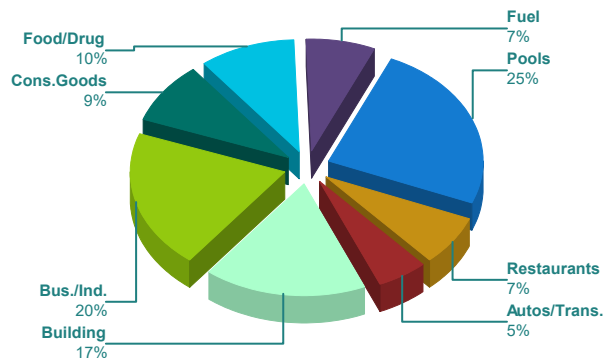
The building-construction sector, with 1) increased price of goods - like lumber, 2) continued home improvement projects, and 3) advantageous fall/winter weather conditions saw strong gains that remained consistent throughout the calendar year.

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
Santa Cruz Co. Uninc This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Unincorporated County Business Type	Q4 '20*	Change	County Change	HdL State Change
Building Materials	502.9	23.1% ↑	28.4% ↑	17.4% ↑
Service Stations	261.0	-21.3% ↓	-26.3% ↓	-31.3% ↓
Casual Dining	159.3	-23.4% ↓	-30.6% ↓	-39.4% ↓
Garden/Agricultural Supplies	146.9	25.6% ↑	22.6% ↑	14.0% ↑
Grocery Stores	136.5	8.7% ↑	0.5% ↑	5.4% ↑
Cannabis Related	91.6	-4.4% ↓	8.7% ↑	33.3% ↑
Convenience Stores/Liquor	89.6	5.7% ↑	-2.5% ↓	-2.1% ↓
Plumbing/Electrical Supplies	68.8	4.9% ↑	3.1% ↑	2.0% ↑
Auto Repair Shops	57.1	-2.1% ↓	-4.4% ↓	-12.1% ↓
Specialty Stores	54.3	2.0% ↑	-4.9% ↓	-6.7% ↓

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars