

CITY OF LEMON GROVE

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



LEMON GROVE

TOTAL: \$ 1,787,184

3.2%
3Q2021



18.2%
COUNTY

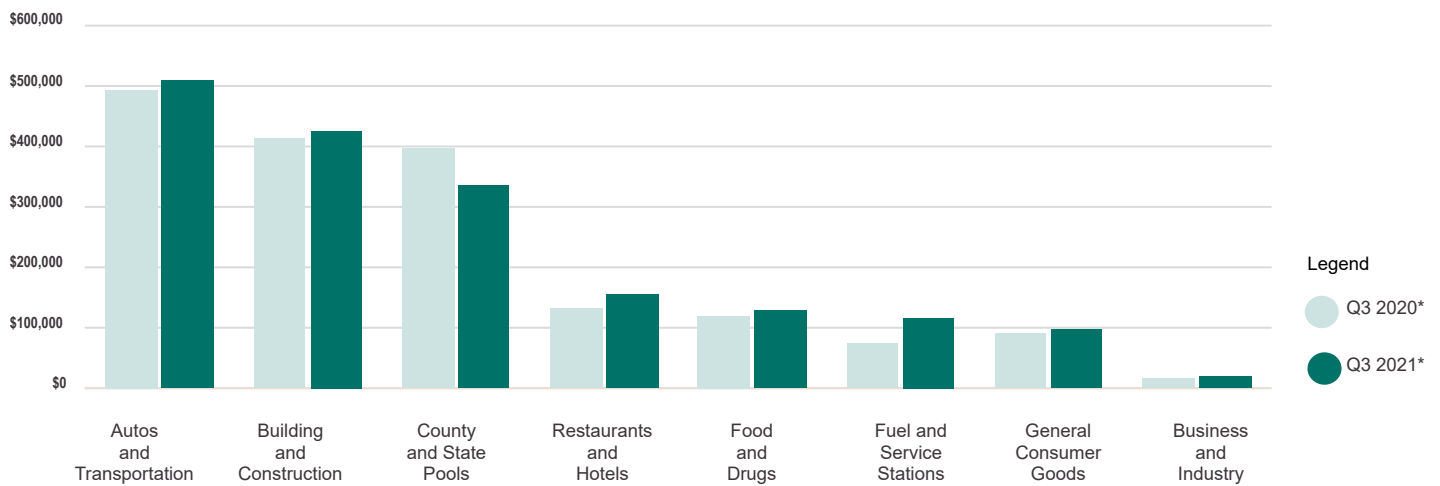


18.3%
STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF LEMON GROVE HIGHLIGHTS

Lemon Grove's receipts from July through September were 2.3% above the third sales period in 2020. Excluding reporting aberrations, actual sales were up 3.2%.

This solid percentage gain signifies the continued rebound from the pandemic impacts but also compares to extremely strong returns a year ago.

With minimal mask requirements and continued pent up demand to eat out, receipts casual and quick-service restaurants were only surpassed in the City's history by amounts reported last quarter. An increased number of summer travelers and commuters brought about a lack of supply having upward pressure on gas prices resulted in stellar gains from service stations.

Strong demand and limited vehicle

inventory causing elevated pricing for buyers contributed to steady returns from auto-transportation dealers, while receipts from building-construction suppliers rose during this summer period with a solid housing market, still rather low interest rate environment and increased cost of lumber having an impact.

However, the gains were partially offset by the county's allocation from the countywide use tax pool decreasing by 15% due to a softening of online purchases from out-of-state vendors compared to the shutdown periods a year ago, and a return of spending in other communities providing them a greater portion of the pool overall.

Net of aberrations, taxable sales for all of San Diego County grew 18.2% over the comparable time period; the Southern California region was up 19.9%.



TOP 25 PRODUCERS

Albertsons	MotorMax
Arco AM PM	Petco
Chevron	RCP Block & Brick
EW Truck & Equipment Company	Shell
Food 4 Less	Texaco
Golden State Gasoline	The Boulevard
GTM Discount General Store	Thompson Building Materials
Harbor Freight Tools	Toyota Lease Trust
Home Depot	
Honda Lease Trust	
In N Out Burger	
Jackson Energy	
Larry H Miller Toyota Lemon Grove	
Marios Family Clothing	
McDonalds	
Mobil	
Mossy Honda Lemon Grove	



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

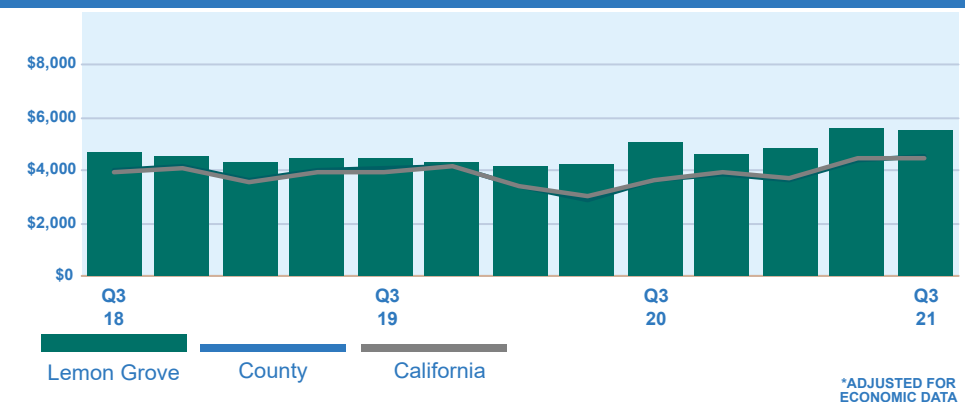
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome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

Lemon Grove Business Type	Q3 '21*	Change	County Change	HdL State Change
Building Materials	376.8	2.3% ↑	4.0% ↑	5.4% ↑
Service Stations	116.8	58.4% ↑	54.8% ↑	53.6% ↑
Quick-Service Restaurants	115.3	11.6% ↑	16.4% ↑	13.5% ↑
Grocery Stores	68.7	11.0% ↑	-0.3% ↓	-0.2% ↓
Automotive Supply Stores	31.8	11.6% ↑	6.2% ↑	4.5% ↑
Casual Dining	30.3	74.0% ↑	66.9% ↑	68.3% ↑
Auto Lease	27.5	13.3% ↑	-4.7% ↓	-1.9% ↓
Convenience Stores/Liquor	26.6	-0.4% ↓	-1.7% ↓	-0.3% ↓
Specialty Stores	25.7	5.5% ↑	17.9% ↑	21.4% ↑
Used Automotive Dealers	20.9	43.2% ↑	13.4% ↑	16.5% ↑

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*In thousands of dollars