

CITY OF LEMON GROVE

SALES TAX UPDATE

4Q 2021 (OCTOBER - DECEMBER)



LEMON GROVE

TOTAL: \$ 1,780,895

8.4%
4Q2021



14.7%
COUNTY

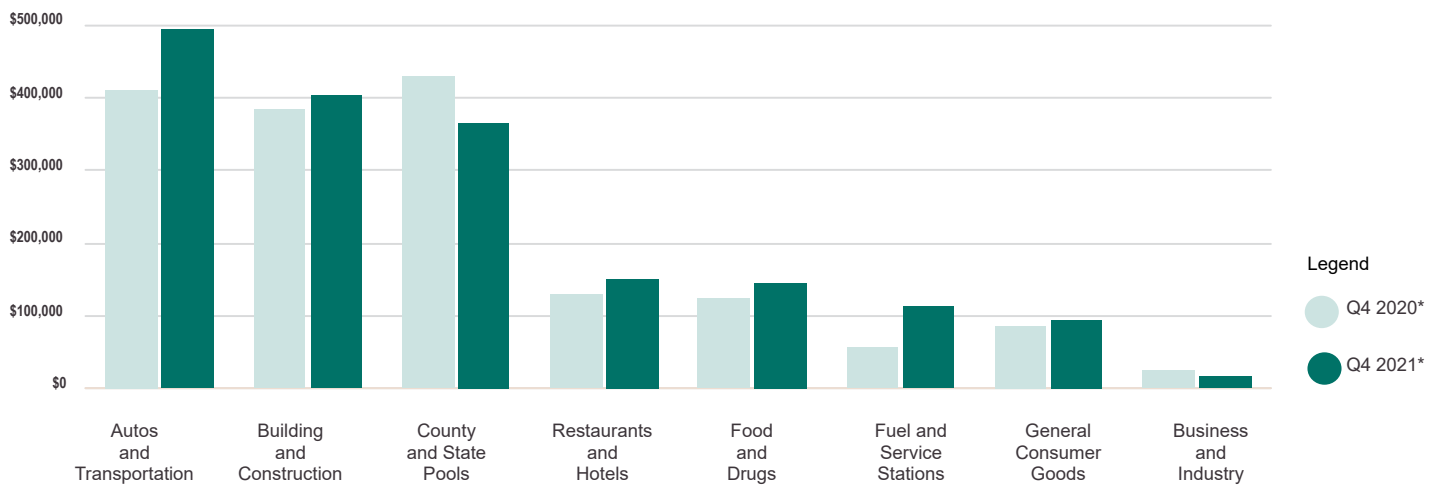


15.6%
STATE



*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 October through December were 10.8% above the fourth sales period in 2020. Excluding reporting aberrations, actual sales were up 8.4%.

Auto-transportation related tax revenue improved 20%, outpacing the 15% statewide trend.

Gasoline sales jumped 102% on higher prices and more driving activity. Tax proceeds from casual dining restaurants increased 71% as people got out of the house and came together again, seeking meaningful ways to connect with others after the isolation of the Covid-19 pandemic. Both casual dining and fast-food sales were also boosted by new restaurant openings. The building material group continued its multi-year advance as the cost of construction supplies increased and as building and

home improvement activity swelled amid the work-from-home shift.

Conversely, several temporary factors reduced allocations from the countywide use-tax pool.

Net of aberrations, taxable sales for all of San Diego County grew 14.7% over the comparable time period; the Southern California region was up 17.4%.



TOP 25 PRODUCERS

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



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of October through December were 15% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, and the strong result was a boon to local agencies across the State. Consumers spent freely as the economy continued its rebound from the pandemic and as robust labor demand reduced unemployment and drove up wages.

Brick and mortar retailers did exceptionally well as many shoppers returned to physical stores rather than shopping online as the COVID crisis waned. This was especially true for traditional department stores that have long been among the weakest categories in retail. Discount department stores, particularly those selling gas, family and women's apparel and jewelry merchants also experienced strong sales. Many retailers are now generating revenue that is nearly as much, or even higher, than pre-pandemic levels.

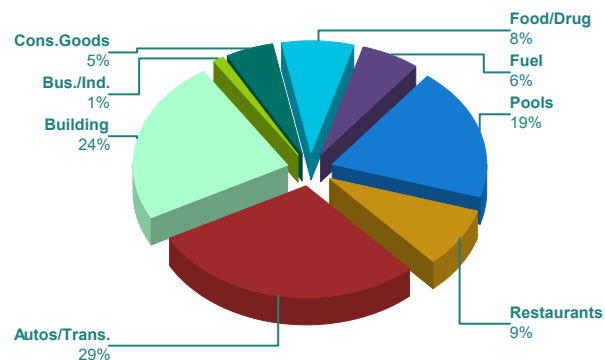
Sales by new and used car dealers were also much higher than a year ago. The inventory shortage has resulted in higher prices that have more than offset the decline in unit volume in terms of revenue generation for most dealerships. Restaurants and hotels were only moderately lower than last quarter, with both periods being the highest in the State's history. Increased menu prices coupled with robust demand to dine out are largely responsible for these gains. These are impressive results for a sector that does not yet include the positive impact that will occur later this year as international travel steadily increases at major airports. Conference business, an important revenue component for many hotels, is also still in the early stages of recovery.

Building material suppliers and contractors were steady as growing residential and commercial property values boosted demand, particularly in the Southern California, Sacramento and San Joaquin Valley regions. Although anticipated interest rate increases by the Federal Reserve could dampen the short-term outlook for this sector, industry experts believe limited selling activity will inspire increased upgrades and improvements by existing owners. With demand remaining tight and calls for more affordable housing throughout the state, the long-term outlook remains positive.

The fourth quarter, the final sales period of calendar year 2021, exhibited a 20% rebound

in tax receipts compared to calendar year 2020. General consumer goods, restaurants, fuel and auto-transportation industries were the largest contributors to this improvement. However, the future growth rate for statewide sales tax revenue is expected to slow markedly. Retail activity has now moved past the easy year-over-year comparison quarters in 2021 versus the depths of the pandemic bottom the year before. Additional headwinds going into 2022 include surging inflation, a dramatic jump in the global price of crude oil due to Russia's war in Ukraine and corresponding monetary tightening by the Federal Reserve. This is expected to result in weakening consumer sentiment and continued, but decelerating, sales tax growth into 2023.

REVENUE BY BUSINESS GROUP Lemon Grove This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Lemon Grove Business Type	Q4 '21*	Change	County Change	HdL State Change
Building Materials	358.4	5.6% ↑	5.7% ↑	2.3% ↑
Service Stations	112.7	101.5% ↑	52.6% ↑	53.8% ↑
Quick-Service Restaurants	110.0	10.5% ↑	14.9% ↑	12.2% ↑
Grocery Stores	70.7	7.1% ↑	-0.4% ↓	0.6% ↑
Automotive Supply Stores	33.6	17.9% ↑	10.6% ↑	10.5% ↑
Casual Dining	31.8	71.2% ↑	70.4% ↑	66.4% ↑
Variety Stores	31.3	20.9% ↑	10.1% ↑	3.8% ↑
Auto Lease	26.9	6.7% ↑	-5.0% ↓	-4.7% ↓
Convenience Stores/Liquor	26.1	6.7% ↑	2.1% ↑	2.1% ↑
Specialty Stores	23.1	14.2% ↑	19.5% ↑	18.7% ↑

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*In thousands of dollars