

CITY OF ORANGE

SALES TAX UPDATE

2Q 2021 (APRIL - JUNE)



ORANGE

TOTAL: \$ 13,469,141

43.1%
2Q2021



37.6%
COUNTY

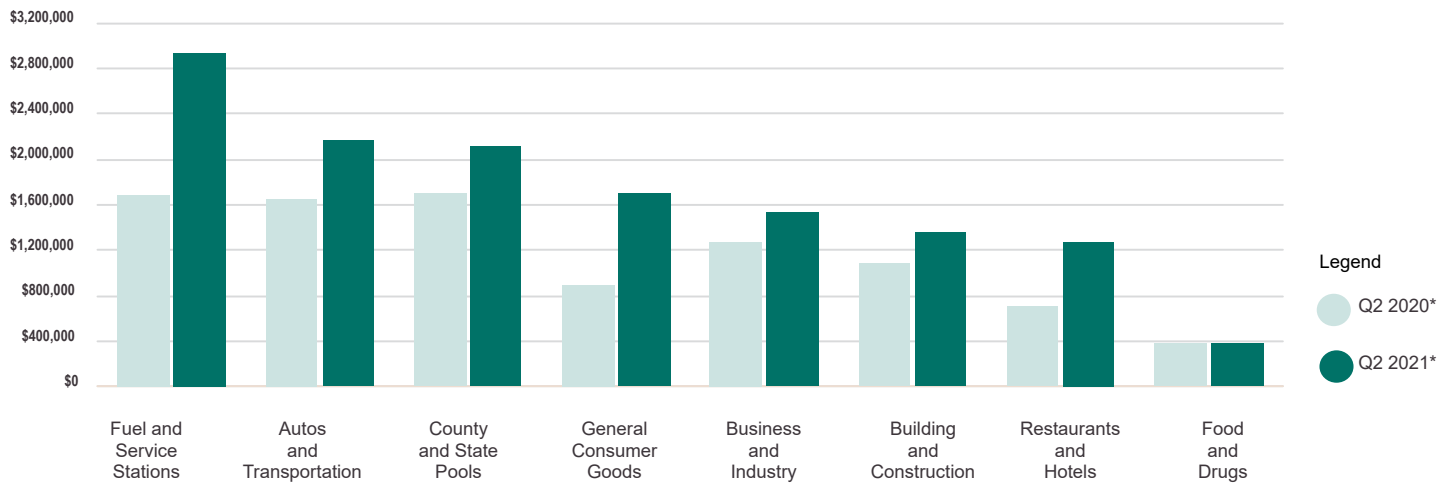


37.3%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF ORANGE HIGHLIGHTS

Orange's receipts from April through June were 61.9% above the second sales period in 2020. Excluding reporting aberrations, actual sales were up 43.1%.

The loosening of COVID restrictions in recent months has led to a rapid recovery in global demand for crude oil, resulting in higher prices at the pump. The restaurant-hotel sector has posted significant increases, despite impacts from the COVID-19 Delta variant and labor shortages.

High demand and low supply resulted in higher sticker prices for both new and used autos. General consumer goods saw tremendous growth in 2Q21 as shopping malls opened and consumers began to return to in-person shopping, work, and leisure activities.

Consumers are still interested in home

improvements projects, even as the price of lumber soared 300% above its pre-pandemic price tag in 2Q21.

Although supply chain interruptions proved challenging for the business-industry sector, new orders are up resulting in higher revenue. Although revenue from food-drugs remained flat, food prices will continue to rise as suppliers struggled with shortages, transportation issues, weather, and labor shortages.

The City's share of the countywide use tax pool increased 25.0% when compared to the same period in the prior year.

Net of aberrations, taxable sales for all of Orange County grew 37.6% over the comparable time period; the Southern California region was up 40.3%.



TOP 25 PRODUCERS

- Arco Food Mart
- Best Buy
- Cardlock Fuels System
- Convergint Technologies
- David Wilsons Villa Ford
- DMG Corporation
- Enterprise Rent A Car
- Foundation Building Materials
- Home Depot
- L & W Supply
- Mazda of Orange
- MS International
- NIKE Factory Store
- Ralphs
- SC Fuels
- SC Lubricants
- SPC Distributors
- Selman Chevrolet
- Stadium Nissan
- Target
- Thompson Building Materials
- Toyota Lease Trust
- Toyota Scion of Orange
- Verco Decking
- Walmart



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring April through June, was 37% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The 2nd quarter of 2020 was the most adversely impacted sales tax period related to the Covid-19 pandemic and Shelter-In-Place directive issued by Governor Newsom. The 2Q21 comparison quarter of 2Q20 was the lowest since 2Q14 due to indoor dining restrictions at most restaurants; non-essential brick and mortar store closures; and employee remote/work from home options which significantly reduced commuting traffic and fuel sales. Therefore, similar to the 1st quarter 2020 comparison, dramatic percentage gains for 2Q21 were anticipated and materialized.

Up to this point through California's recovery, we've seen some regions experience stronger gains than others. However, with the latest data and the depths of declines in the comparison period, statewide most regions saw very similar growth.

Within the results, prolonged gains by the auto-transportation and building-construction industries generated higher receipts. Although the explosion of sales by new and used car dealers has come as welcome relief, the latest news of inventories being stretched thin due to the micro processing chip issues earlier in the year may result in a headwind into 2022. Conversely for the building-construction group, as housing prices in many markets increased over the last year, sustained available homeowner and investor equity is in place for the foreseeable future. Receipts from general consumer goods marked a steady and expected come back, led by family apparel, jewelry and home furnishing stores. When combined with solid greater economic trends, this is a welcome

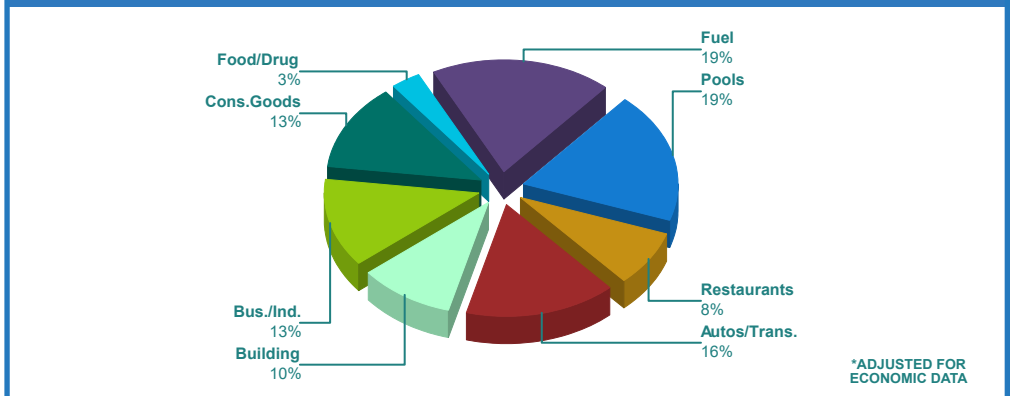
sign for many companies as a lead up to the normal holiday shopping period later this calendar year.

As consumers flock back into retail locations and with AB 147 fully implemented, growth from the county use tax pools - largely enhanced by out-of-state online sales activity - returned to more traditional gains of 9%. These results also included the reallocation of tax dollars previously distributed through the countywide pools to specific local jurisdictions that operate in-state fulfillment centers. Thus, the business and industry category, where fulfillment centers, medical-biotech vendors and garden-agricultural supplies are shown, jumped 26%.

In June, many restaurants reopened indoor dining. Given consumer desires to eat out and beautiful spring weather, all categories experienced a strong, much-needed rebound. However, labor shortages and a rise in menu prices continue to be a concern.

Looking ahead, sustained sales tax growth is still anticipated through the end of the 2021 calendar year. Inflationary effects are showing up in the cost of many taxable products. Pent up demand for travel and experiences, the return of commuters with more costly fuel, and labor shortages having upward pressure on prices may begin to consume more disposable income and tighten growth by the start of 2022.

REVENUE BY BUSINESS GROUP Orange This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Orange Business Type	Q2 '21*	Change	County Change	HdL State Change
Petroleum Prod/Equipment	2,306.5	69.7% ↑	71.6% ↑	79.8% ↑
New Motor Vehicle Dealers	1,515.7	42.8% ↑	51.3% ↑	55.9% ↑
Building Materials	879.0	23.5% ↑	19.4% ↑	21.8% ↑
Service Stations	631.4	90.6% ↑	82.1% ↑	73.9% ↑
Casual Dining	614.2	139.1% ↑	134.3% ↑	130.5% ↑
Quick-Service Restaurants	437.9	27.3% ↑	26.3% ↑	28.8% ↑
Contractors	359.7	36.5% ↑	17.1% ↑	23.4% ↑
Family Apparel	326.9	215.3% ↑	172.3% ↑	230.5% ↑
Medical/Biotech	263.1	17.1% ↑	27.2% ↑	23.6% ↑
Office Equipment	231.1	35.6% ↑	6.8% ↑	2.5% ↑

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars