CITY OF PALMDALE
SALES TAX UPDATE
3Q 2022 (JULY - SEPTEMBER)

PALMDALE
TOTAL: $6,960,392

Q3 2022
1.4%

COUNTY
7.3%

STATE
8.0%

SALES TAX BY MAJOR BUSINESS GROUP

Legend

Q3 2021*

Q3 2022*

$0
$400,000
$800,000
$1,200,000
$1,600,000
$2,000,000

General Consumer Goods
County and State Pools
Autos and Transportation
Restaurants and Hotels
Fuel and Service Stations
Building and Construction
Food and Drugs
Business and Industry

*Allocation aberrations have been adjusted to reflect sales activity

Measure AV
TOTAL: $5,711,287
2.2%

CITY OF PALMDALE HIGHLIGHTS

Palmdale’s receipts from July through September were 2.3% above the third sales period in 2021. Excluding reporting aberrations, actual sales were up 1.4%.

The largest factor in this improvement was the recent opening of a major new fueling center in Palmdale that boosted service station returns.

Recent new dealership openings lifted the new vehicle category. Business-industrial returns were also higher, likely elevated by additional investments made in response to supply-chain vulnerabilities identified during the pandemic.

Conversely, family apparel, home furnishings, electronics, appliance stores and fast-food restaurants all dropped as consumers spent more of their paychecks on essentials after inflation lifted the price of eggs, gasoline, and other indispensable items.

Measure AV returns grew 2.2%, a similar rate of return as the Bradley-Burns sales tax results previously discussed, with the business-industrial category the biggest contributor to this growth.

Net of aberrations, taxable sales for all of Los Angeles County grew 7.3% over the comparable time period; the Southern California region was up 8.1%.

TOP 25 PRODUCERS

7 Eleven
Antelope Valley Nissan
Arco
Ashley Furniture Homestore
Best Buy
Camacho Auto Sales
Carmax
Circle K
Diamond Buick GMC Palmdale
Diamond Hyundai Palmdale
Home Depot
Lockheed Martin
Lowes
Macy’s
McDonalds
Northrop Grumman
Pilot Travel Center
Rally Kia
Robertsons Palmdale
Honda
Ross
Sams Club w/ Fuel
Shell
Target
Vallarta Supermarket
Walmart Supercenter
STATEWIDE RESULTS

Local one cent sales and use tax for sales occurring July through September was 8% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These returns mark another strong period of growth for the California spending economy.

Even as the Federal Reserve Board continued ramping up interest rates in an effort to curb the larger concern of inflation, consumers maintained purchases on multiple fronts, especially automobiles. Surprisingly, new car dealers experienced 10% gains over the comparable period in 2021. Limited inventory and demand for higher mileage vehicles including electric and hybrid models helped support growth. In addition, the increased cost of used vehicles has pushed many into the new vehicle market; in contrast, sales of recreation vehicles and auto leasing activity remained soft.

For Californians, the summer of 2022 had the highest gas prices on record; subsequently fuel and service stations receipts jumped 21%. Commuters and summer travel remained steady, yet overall consumption still trails pre-pandemic levels by approximately 13%. Although the Russia-Ukraine conflict initially caused a dramatic shift in global crude oil markets, prices have begun to pull back closer to historical norms.

Restaurants experienced a strong uptick as increased menu prices, consistent desire to dine out and strong tourism contributed to this favorable news. Just as important, theme parks, leisure-entertainment venues and hotels pushed positive momentum back to 2019 levels. With tightening profit margins and sustained labor concerns, future improvement could be slowed compared to the last two years.

Busy contractors and plumbing-electrical suppliers boosted the building-construction sector. Solid residential and commercial housing prices persisted despite recent interest rate hikes. Tenant improvements further support spending activity as businesses assess future office needs. With statewide new housing requirements and federal infrastructure funding on the horizon, current forecasts stay optimistic.

Steady investment in capital equipment coupled with the overall increased price of goods enhanced both business-industry and countywide use tax pool allocations.

For the second straight quarter, fuel sales linked to discount department stores propped up general consumer goods results. Otherwise, retailers experienced flat to decreased receipts as many apparel categories, home furnishings and sporting goods struggled to keep pace with the prior year. As consumers balanced summer opportunities and higher prices, in-store shopping appears to have taken a temporary back seat.

Sustained price increases and interest rate hikes certainly have consumers contemplating where to spend their dollars. However, historically low statewide unemployment rates and the recovery of the national stock markets from declines earlier this year leave modest optimism heading into 2023.

REVENUE BY BUSINESS GROUP
Palmdale This Quarter*

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Q3 '22</th>
<th>Change</th>
<th>County Change</th>
<th>HdL State Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Stations</td>
<td>815.7</td>
<td>10.0%</td>
<td>19.1%</td>
<td>18.4%</td>
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<tr>
<td>New Motor Vehicle Dealers</td>
<td>505.9</td>
<td>30.7%</td>
<td>11.4%</td>
<td>9.9%</td>
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<tr>
<td>Building Materials</td>
<td>432.4</td>
<td>-3.8%</td>
<td>7.5%</td>
<td>2.8%</td>
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<tr>
<td>Quick-Service Restaurants</td>
<td>399.2</td>
<td>-7.1%</td>
<td>5.4%</td>
<td>4.0%</td>
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<tr>
<td>Casual Dining</td>
<td>324.1</td>
<td>2.7%</td>
<td>11.7%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Family Apparel</td>
<td>229.9</td>
<td>-12.1%</td>
<td>-3.5%</td>
<td>-1.7%</td>
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<tr>
<td>Grocery Stores</td>
<td>196.0</td>
<td>-2.8%</td>
<td>2.6%</td>
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<tr>
<td>Specialty Stores</td>
<td>171.0</td>
<td>3.2%</td>
<td>3.3%</td>
<td>4.0%</td>
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<tr>
<td>Electronics/Appliance Stores</td>
<td>162.1</td>
<td>-5.8%</td>
<td>0.4%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Department Stores</td>
<td>145.8</td>
<td>-3.2%</td>
<td>-3.7%</td>
<td>-1.7%</td>
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</tbody>
</table>

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

TOP NON-CONFIDENTIAL BUSINESS TYPES