

MONTEREY COUNTY UNINC.

SALES TAX UPDATE

2Q 2021 (APRIL - JUNE)



MONTEREY COUNTY

TOTAL: \$ 3,284,689

26.5%

COUNTY UNINC.



36.2%

COUNTY



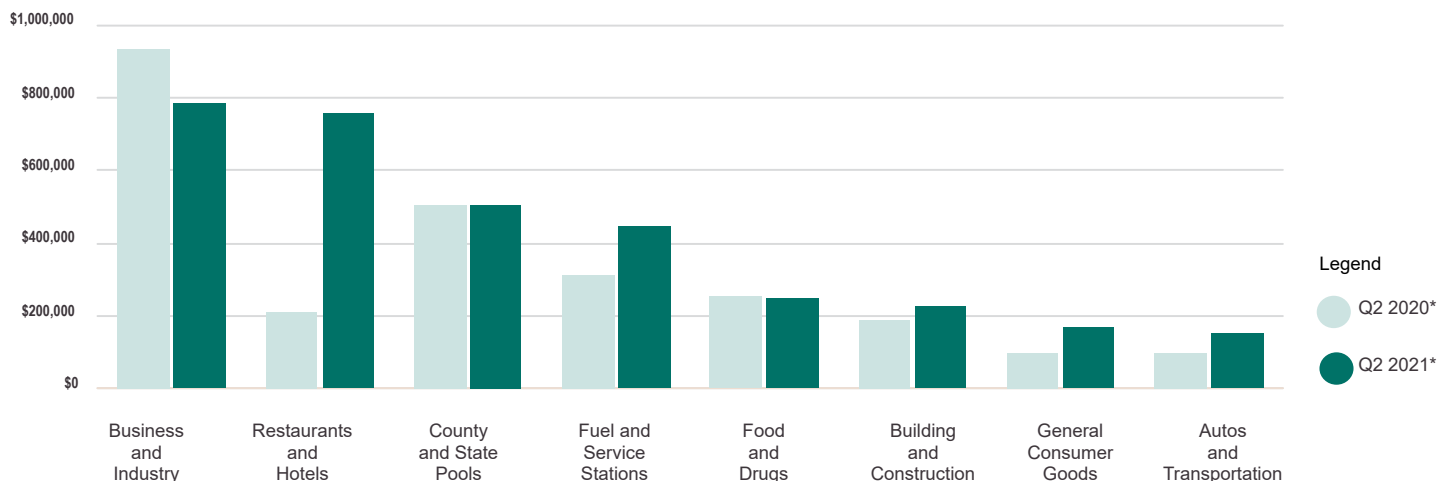
37.3%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



MONTEREY COUNTY UNINCORPORATED HIGHLIGHTS

The unincorporated area's receipts from April through June were 26.0% above the second sales period in 2020.

This quarter's results reflect two positive scenarios. The first is based on the response of local residents and businesses to the lifting of Covid restrictions and their reaction to having federal stimulus funds available. For example, purchases of used cars rose 94% while traffic in and out of sit-down restaurants jumped significantly, at the expense of the food-drug group which flourished during the height of the pandemic when folks were preparing most of their meals at home. Add in May's spike in lumber prices along with increasing contractor activity and a significant recovery from this time last year was well underway.

To top that, the response to fewer Covid

restrictions from out-of-towners was to abandon their homebound routine and head to the area for day trips at first and then more extended stays deeper into the quarter. The influx of traffic pushed up gas consumption and increased transaction counts at most general consumer good outlets, helping them rebound from a 34% decline last year with a 70% gain this quarter. Tourism counts should remain unusually high through the summer and fall.

Starting next year group travel activity, especially conferences, should return along with increasing counts of international travelers.

Net of adjustments, taxable sales for all of Monterey County grew 36.2% over the comparable time period while those of the Central Coast region were up 35.3%.



TOP 25 PRODUCERS

- 7 Eleven
- C & N Tractors
- Carmel Valley Ranch
- Chevron
- Core & Main
- CVS Pharmacy
- Dune Company of Salinas
- Helena Chemical Company
- IQ Devices
- Irrigation Design & Construction
- Kristich Monterey Concrete Pipe
- Nepenthe
- Pacific Ag Rentals
- Pebble Beach Resorts
- Phil's Fish Market
- Prundale Valero/farm's Service
- Quiedan
- R & S Supply
- RDO Agriculture Equipment
- Royal Oaks Valero
- Safeway
- Shell
- Sturdy Oil Company
- Valero
- Wilbur Ellis



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

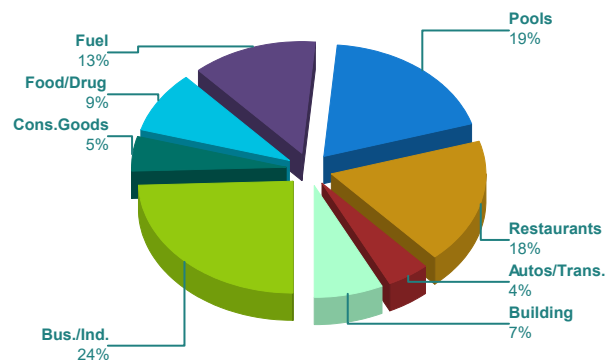
sign for many companies as a lead up to the normal holiday shopping period later this calendar year.

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 Monterey Co. Uninc This Fiscal Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

| Unincorporated County Business Type | Q2 '21* | Change | County Change | HdL State Change |
|-------------------------------------|---------|----------|---------------|------------------|
| Hotels-Liquor | 399.0 | 542.9% ↑ | 573.0% ↑ | 473.4% ↑ |
| Service Stations | 366.7 | 41.1% ↑ | 57.6% ↑ | 73.9% ↑ |
| Garden/Agricultural Supplies | 221.4 | -1.6% ↓ | 0.9% ↑ | 10.2% ↑ |
| Casual Dining | 197.2 | 146.1% ↑ | 146.2% ↑ | 130.3% ↑ |
| Warehse/Farm/Const. Equip. | 195.1 | 7.1% ↑ | 12.8% ↑ | 8.2% ↑ |
| Contractors | 142.6 | 23.8% ↑ | 33.6% ↑ | 23.6% ↑ |
| Grocery Stores | 114.3 | -9.5% ↓ | -1.8% ↓ | -0.9% ↓ |
| Building Materials | 83.0 | 17.5% ↑ | 33.6% ↑ | 21.7% ↑ |
| Repair Shop/Equip. Rentals | 79.7 | 18.7% ↑ | 7.7% ↑ | 16.1% ↑ |
| Leisure/Entertainment | 78.6 | 232.2% ↑ | 339.6% ↑ | 385.4% ↑ |

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars