

MONTEREY COUNTY UNINC.

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



MONTEREY COUNTY

TOTAL: \$ 3,726,564

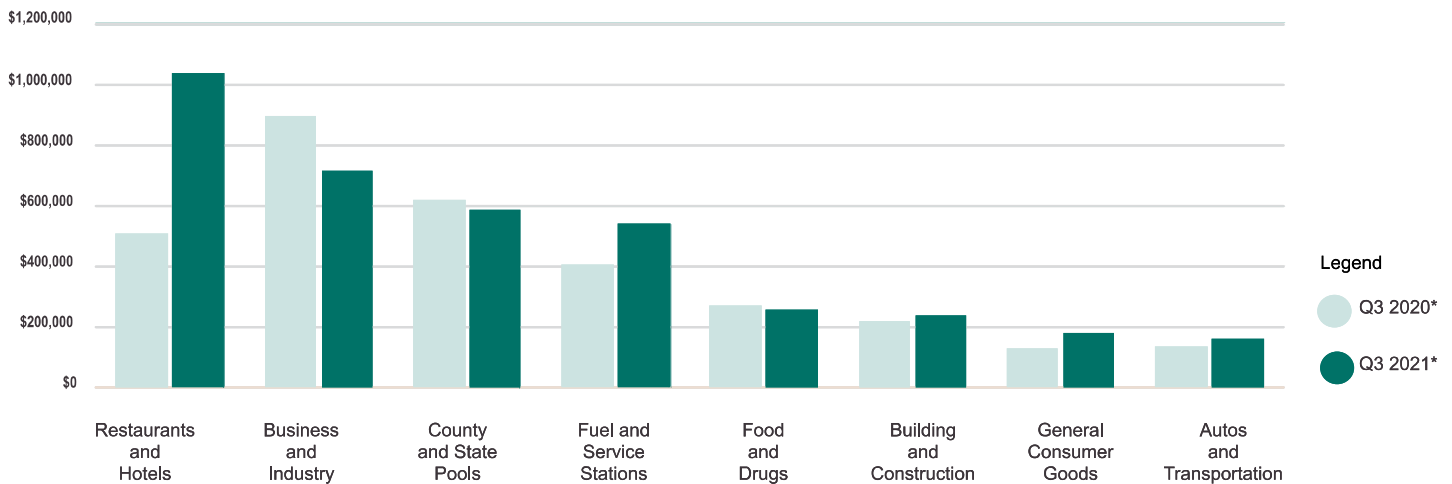
16.9%
COUNTY UNINC.

17.7%
COUNTY

18.3%
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 July through September were 11.8% above the third sales period in 2020. After reporting modifications, actual sales grew 16.9%. Place of sale collections soared 22.1% compared to the extreme pandemic lows of a year ago.

Third quarter of 2021 reflected high consumer confidence and a return of tourism to the central coast. Casual dining, hotels and leisure/entertainment roared back as people once again enjoyed dining out and visiting the region.

Similarly, service station revenues spiked as higher gas prices and increased travel propelled receipts back to pre-pandemic levels. Home furnishings related sales contributed to positive general consumer goods results; and transportation rentals pushed up auto-transportation receipts.

Conversely, the county's share of the countywide use tax pool allocations dipped 4.6%; however, the countywide pools remain a solid source of revenue, boosted by taxes on online purchases as people continue to embrace e-commerce.

Business-industry is somewhat artificially skewed down by a missing payment, and several high prior year comparisons. The decline in food-drugs is likely attributed a high shopping period a year ago and less at-home dining.

Net of adjustments, taxable sales for all of Monterey County grew 17.7% over the comparable time period; the Central Coast region was up 16.5%.



TOP 25 PRODUCERS

- | | |
|----------------------------------|--------------------------------|
| Bernardus Lodge | Prundale Valero/farm's Service |
| C & N Tractors | Rinaldi Oaks Valero |
| Carmel Valley Ranch | Royal Oaks Valero |
| Chevron | Safeway |
| Core & Main | Shell |
| CVS Pharmacy | Sturdy Oil Company |
| Dune Company of Salinas | Valero |
| Helena Chemical Company | Ventana Big Sur |
| Irrigation Design & Construction | Wilbur Ellis |
| Kleen Globe | |
| Kristich Monterey Concrete Pipe | |
| Monterey Fuel Company | |
| Nepenthe | |
| Pacific Ag Rentals | |
| Pebble Beach Resorts | |
| Phil's Fish Market | |



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

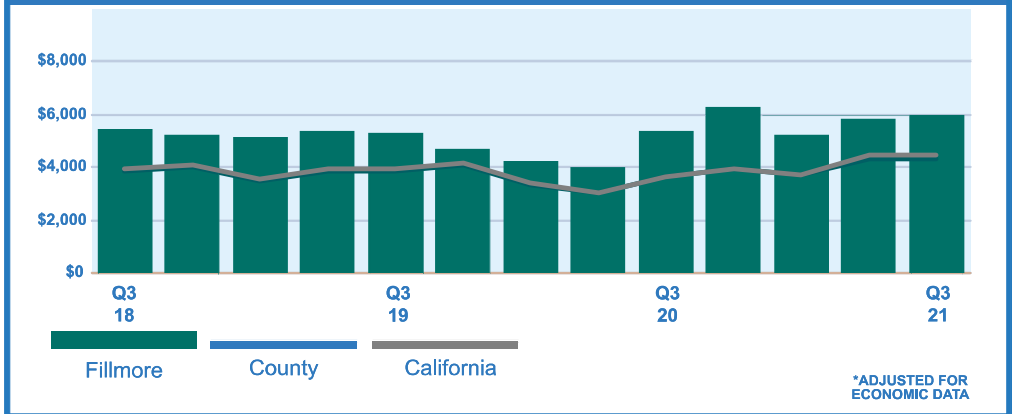
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome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

Unincorporated County Business Type	Q3 '21*	Change	County Change	HdL State Change
Hotels-Liquor	618.8	143.7% ↑	162.2% ↑	165.7% ↑
Service Stations	391.6	18.0% ↑	36.2% ↑	53.6% ↑
Garden/Agricultural Supplies	263.3	2.5% ↑	4.3% ↑	1.2% ↑
Casual Dining	224.1	57.7% ↑	68.1% ↑	68.4% ↑
Contractors	157.2	13.9% ↑	19.3% ↑	12.2% ↑
Petroleum Prod/Equipment	142.5	116.8% ↑	36.5% ↑	61.0% ↑
Grocery Stores	118.4	-8.8% ↓	0.0% ↓	-0.2% ↓
Leisure/Entertainment	112.6	152.9% ↑	273.3% ↑	270.6% ↑
Repair Shop/Equip. Rentals	91.8	23.3% ↑	16.4% ↑	9.0% ↑
Warehse/Farm/Const. Equip.	90.0	-60.2% ↓	-23.6% ↓	4.2% ↑

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars