

# MONTEREY COUNTY UNINC.

## SALES TAX UPDATE

### 1Q 2023 (JANUARY - MARCH)



#### MONTEREY COUNTY

TOTAL: \$ 3,138,941

-5.9%

COUNTY UNINC.



-1.8%

COUNTY



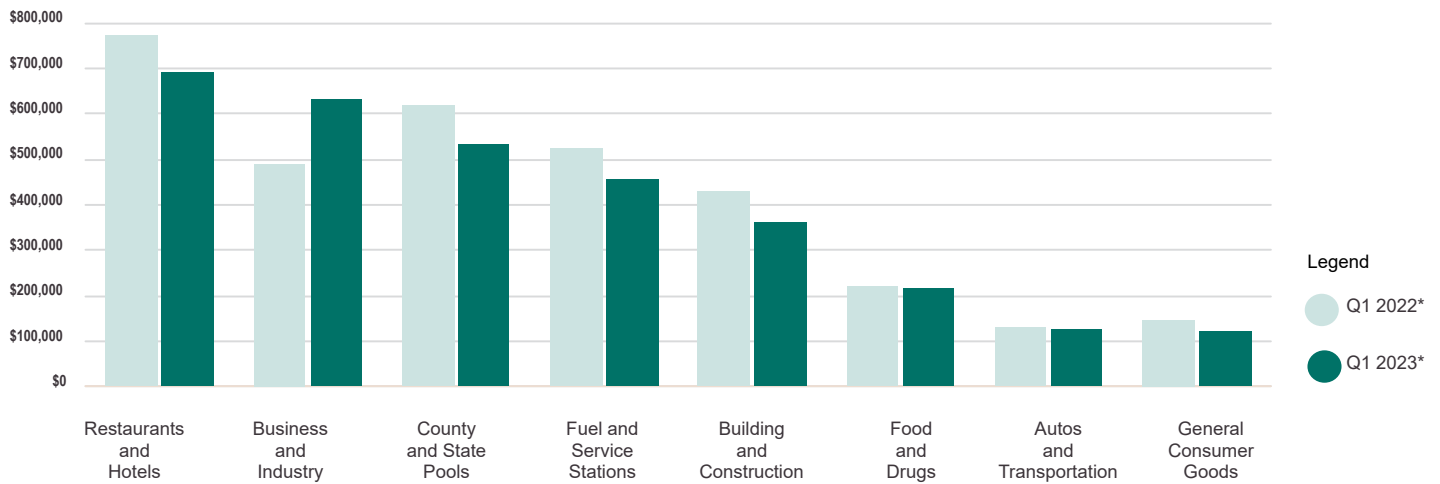
-1.1%

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 January through March were 19.2% below the first sales period in 2022, which included the recovery of some large late payments. Excluding these and other reporting adjustments, receipts for the period were down 5.9%.

This time last year, total receipts were up over 41% as the post-Covid recovery continued. The boost this gave to the county's point-of-sale tax base increased its share of the use tax pool. Now that conditions have calmed, the pool share is back to normal, leading to a sharp drop in the value of the allocation received this quarter.

A sharp drop in the price of lumber, coupled with weather delays, cut receipts from the construction sector. Much of the delayed work will be caught up in the following period. Wet weather was also

a likely cause for some of the lost sales of general consumer goods, making the effects of the current economy worse.

Restaurants, including those located inside resorts and country club venues reported mostly lower sales compared to last year's hyper activity.

The BTB transactions reflected in the business/industry group represent some one-time sales and the return to regular reporting by a taxpayer missing for several periods. Sales at other existing businesses were mixed but showed the business sector is still willing to make capital investments.

Net of adjustments, taxable sales for all of Monterey County declined 1.8% over the comparable time period while those of the Central Coast region were down 3.6%.



#### TOP 25 PRODUCERS

- 7 Eleven
- Associated Rebar
- Assured Aggregates
- Atkinson Industries
- C & N Tractors
- Carmel Valley Ranch
- Chevron
- Core & Main
- CVS Pharmacy
- Kristich Monterey Concrete Pipe
- Monterey Fuel Company
- Monterey Peninsula Country Club
- Pacific Ag Rentals
- Pebble Beach Resorts
- Power Electronics
- Prundale Valero/ferm's Service
- Rain For Rent
- RDO Equipment Co.
- Royal Oaks Valero
- Safeway
- Shell
- Sturdy Oil Company
- Ultra Pure Solutions
- Valero
- Ventana Big Sur



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC’s recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods’ returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

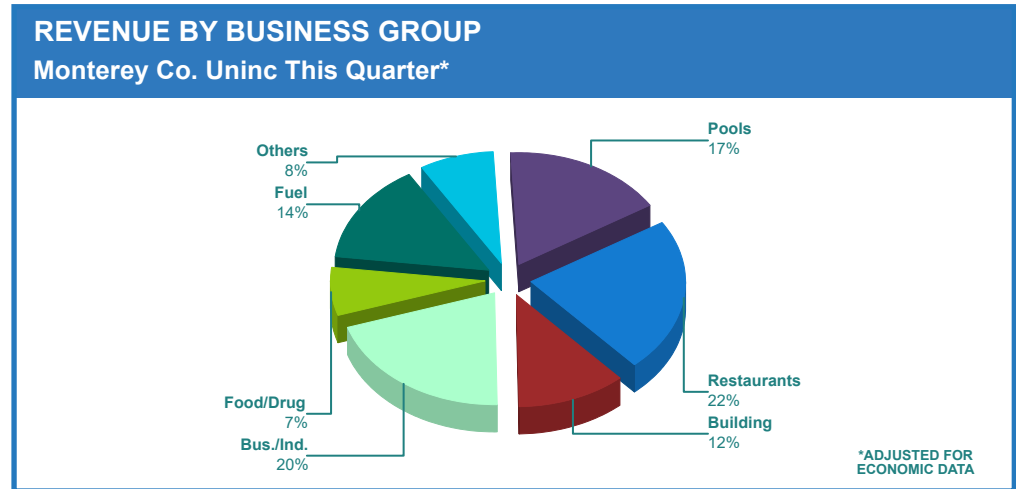
Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve’s actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Unincorporated County Business Type	Q1 '23*	Change	County Change	HdL State Change
Hotels/Motels	434.9	-5.3% ↓	-0.5% ↓	32.3% ↑
Service Stations	357.5	-13.8% ↓	-9.1% ↓	-9.8% ↓
Contractors	293.8	-14.8% ↓	-14.0% ↓	-12.7% ↓
Warehse/Farm/Const. Equip.	172.3	81.9% ↑	32.8% ↑	3.3% ↑
Casual Dining	146.9	-16.7% ↓	-2.7% ↓	9.6% ↑
Grocery Stores	107.5	13.1% ↑	8.1% ↑	5.4% ↑
Petroleum Prod/Equipment	85.7	-15.2% ↓	-16.5% ↓	-1.7% ↓
Garden/Agricultural Supplies	75.4	-23.2% ↓	-21.2% ↓	-18.9% ↓
Repair Shop/Equip. Rentals	67.2	17.0% ↑	13.3% ↑	-0.7% ↓
Building Materials	65.8	-18.9% ↓	-6.9% ↓	-9.8% ↓

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