

Q4 2018



Monterey County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Monterey County In Brief

The unincorporated area's receipts from October through December were 13.0% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 4.8%.

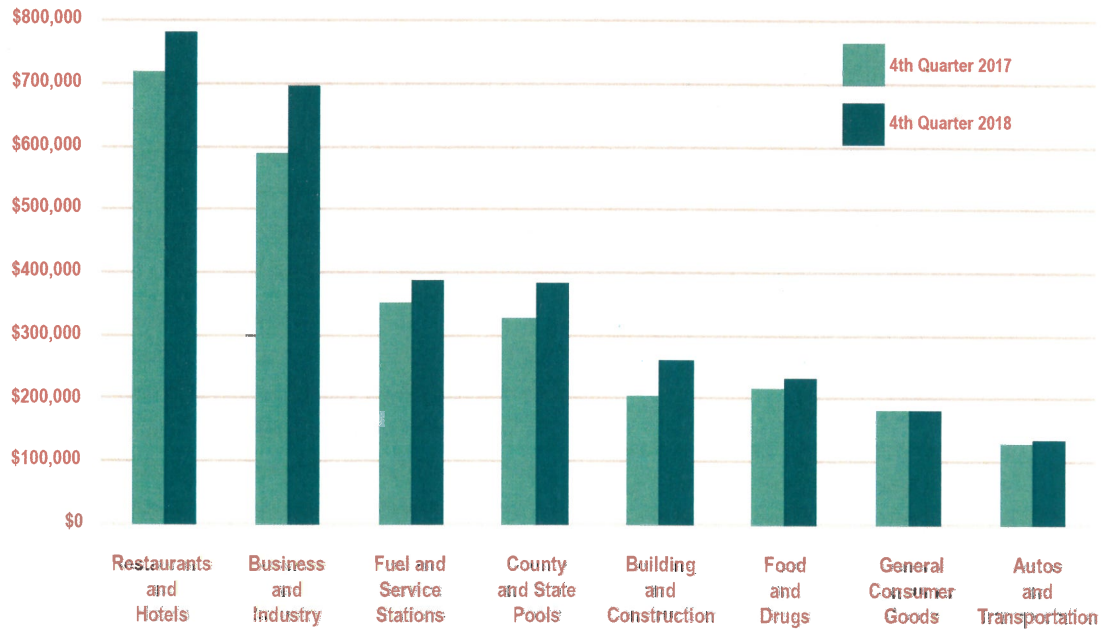
Hotels are leading the growth in the restaurant and hotels group, but the results are inflated by double payments; after accounting for the anomalies, hotels grew 6% while casual dining and quick-service restaurants both declined. Business and industry receipts were boosted by onetime payments.

Receipts that were incorrectly allocated inflated results in the contractor category, which would have declined without the misallocation. Receipt of double payments in the current quarter masked a 3.8% decline in service station receipts.

The countywide sales tax pool had onetime allocations and several double payments enhancing results for this quarter.

Net of aberrations, taxable sales for all of Monterey County grew 1.3% over the comparable time period; the Central Coast region was down 0.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply Co	Monterey Peninsula Country Club
Bernardus Lodge	MRC Global
Bulk Handling Systems	Pacific Ag Rentals
C & N Tractors	Pebble Beach Resorts
Cal Door & Drawers	Phil's Fish Market
California Flats	R & S Supply
Carmel Valley Ranch	RDO Agriculture Equipment
Chevron	Roberts & Brune
CVS Pharmacy	Safeway
Dicks Arco	Shell
Kristich Monterey Concrete Pipe	Sturdy Oil Company
Mission Ranch	Valero
MJ Murphy Lumber & Hardware	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$5,495,802	\$6,346,968
County Pool	715,829	864,266
State Pool	3,090	3,175
Gross Receipts	\$6,214,721	\$7,214,410

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

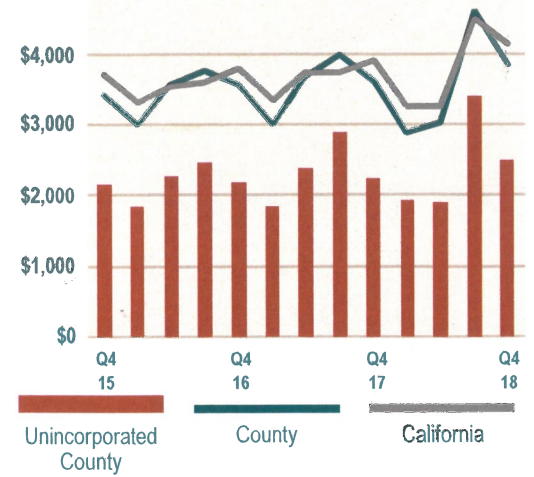
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

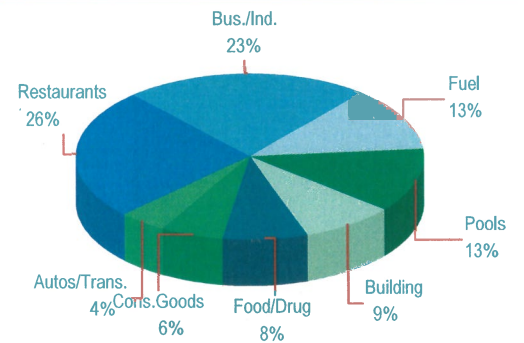
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Monterey Co. Uninc This Quarter



MONTEREY COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q4 '18*	Change	Change	Change
Building Materials	89.6	14.9%	5.1%	5.5%
Casual Dining	164.9	3.3%	-3.1%	2.5%
Contractors	172.6	37.6%	38.5%	17.5%
Convenience Stores/Liquor	49.5	5.2%	4.6%	3.3%
Energy/Utilities	— CONFIDENTIAL —		6.1%	-49.2%
Garden/Agricultural Supplies	128.6	35.9%	23.9%	-2.6%
Grocery Stores	125.8	0.1%	-7.5%	-11.7%
Heavy Industrial	87.4	29.4%	19.2%	5.3%
Hotels-Liquor	455.9	13.0%	15.3%	7.2%
Leisure/Entertainment	82.7	-2.9%	4.5%	3.5%
Petroleum Prod/Equipment	59.7	35.8%	44.6%	24.6%
Quick-Service Restaurants	47.7	20.1%	9.2%	6.5%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —		-24.4%	1.5%
Service Stations	319.1	5.7%	16.4%	28.4%
Warehse/Farm/Const. Equip.	121.6	17.4%	-1.9%	3.2%
Total All Accounts	2,692.0	12.4%	9.1%	7.0%
County & State Pool Allocation	383.3	17.3%	13.8%	8.6%
Gross Receipts	3,075.3	13.0%	9.6%	7.2%