

Q3 2018



Monterey County Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Monterey County In Brief

The Unincorporated Area's receipts from July through September were 18.5% above the third sales period in 2017. Excluding reporting aberrations, actual sales were flat.

Software driven issues that plagued 2018's first two quarter's tax distributions were mostly resolved by CDTFA. As a result, all groups reported significant increases from double-up payments. Similar corrections triggered the surge in the countywide pool allocations.

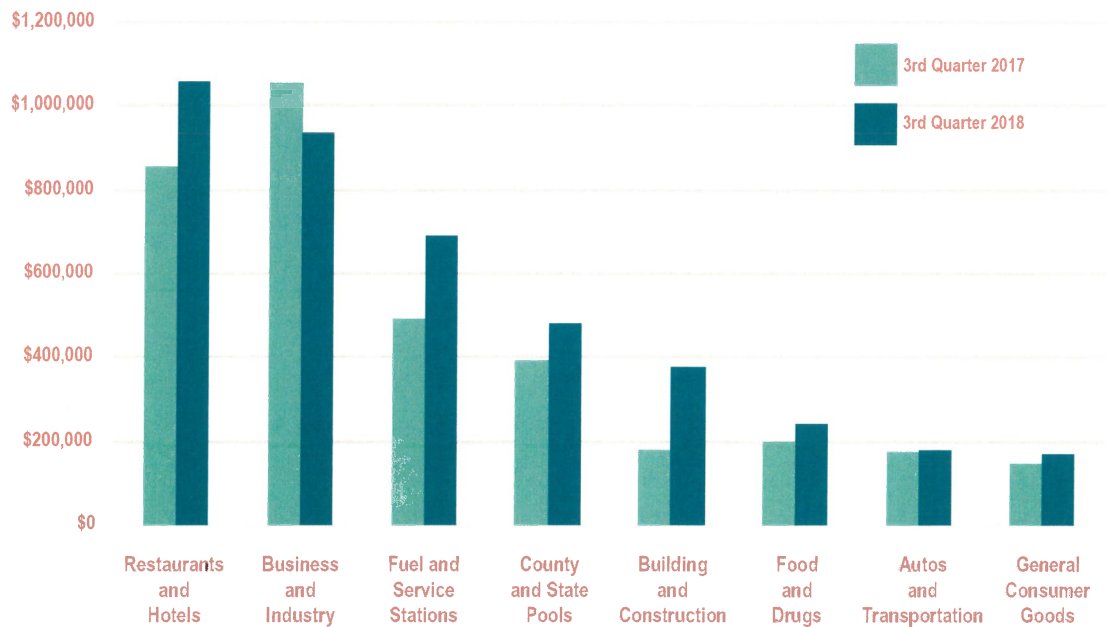
Restaurants and hotels reported growth of 16%; reopening of Highway 1 prompted recovery from leisure/entertainment and casual dining venues that suffered declines during 2017 storms.

Fuel prices rose which pushed service stations up. A misallocation overstated building and construction receipts; this sector improved 10% after removing all anomalies.

Reductions from business and industry are primarily due to a large infrastructure project completed in the prior year; the decrease was partially mitigated by late payments from warehouse/farm equipment, garden/agriculture and heavy industrial merchants.

Net of aberrations, taxable sales for all of Monterey County grew 1.6% over the comparable time period; the Central Coast region was up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

101 Gas Station	Mission Ranch
7 Eleven	Nepenthe
ABC Supply Co	Pacific Ag Rentals
Bernardus Lodge	Pebble Beach Resorts
Cal Door & Drawers	Prundale Valero/farm's Service
California Flats	RDO Agriculture Equipment
Chevron	Rinaldi Tile & Marble
Dicks Arco	Roberts & Brune
Dune Company of Salinas	Safeway
Helena Chemical Company	Shell
Higher Level of Care	Sturdy Oil Company
Irrigation Design & Construction	Wilbur Ellis
Kristich Monterey Concrete Pipe	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$3,101,207	\$3,654,989
County Pool	389,772	482,276
State Pool	2,401	1,870
Gross Receipts	\$3,493,380	\$4,139,135

California Overall

The CDTFAs' problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

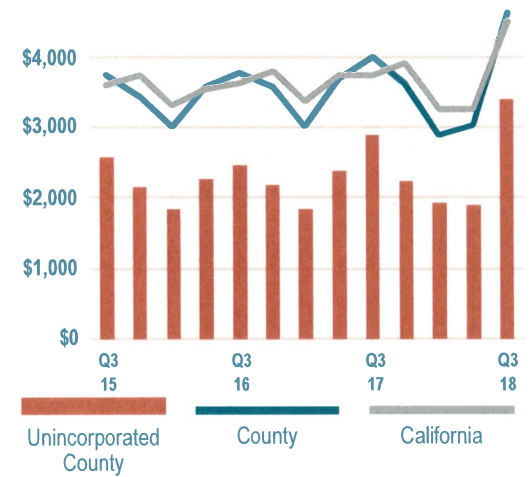
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

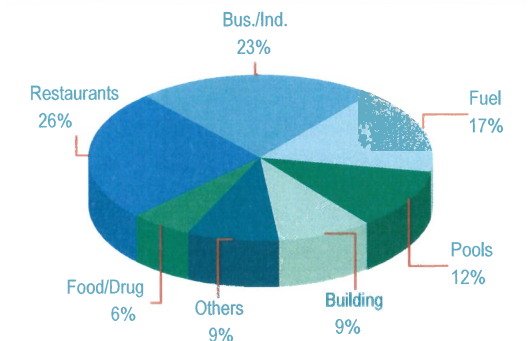
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Monterey Co. Uninc This Quarter



MONTEREY COUNTY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Unincorporated County Q3 '18*	Unincorporated County Change	County Change	HdL State Change
Building Materials	89.6	9.7%	37.1%	29.8%
Casual Dining	218.4	31.0%	17.7%	14.8%
Contractors	286.4	195.6%	86.9%	37.6%
Convenience Stores/Liquor	55.0	15.1%	18.7%	20.6%
Energy/Utilities	— CONFIDENTIAL —	—	-61.2%	-2.9%
Garden/Agricultural Supplies	252.5	13.2%	3.7%	9.3%
Grocery Stores	111.8	3.4%	12.5%	16.1%
Heavy Industrial	96.0	54.2%	33.3%	30.4%
Hotels-Liquor	611.0	21.5%	17.9%	16.9%
Leisure/Entertainment	138.7	42.8%	3.8%	16.8%
Petroleum Prod/Equipment	78.5	-5.4%	-20.5%	24.6%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	30.7%	36.1%
Service Stations	605.7	48.4%	46.0%	43.1%
Used Automotive Dealers	54.6	3.9%	7.3%	46.9%
Warehouse/Farm/Const. Equip.	197.2	118.8%	62.4%	38.0%
Total All Accounts	3,655.0	17.9%	18.5%	21.8%
County & State Pool Allocation	484.1	23.5%	24.2%	27.8%
Gross Receipts	4,139.1	18.5%	19.2%	22.6%