

Q1 2019



Monterey County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Monterey County In Brief

The unincorporated area's receipts from January through March were 46.2% above the first sales period in 2018 as missing payments from earlier periods were recovered. Excluding those payments and other reporting adjustments, actual receipts were down 2.8%.

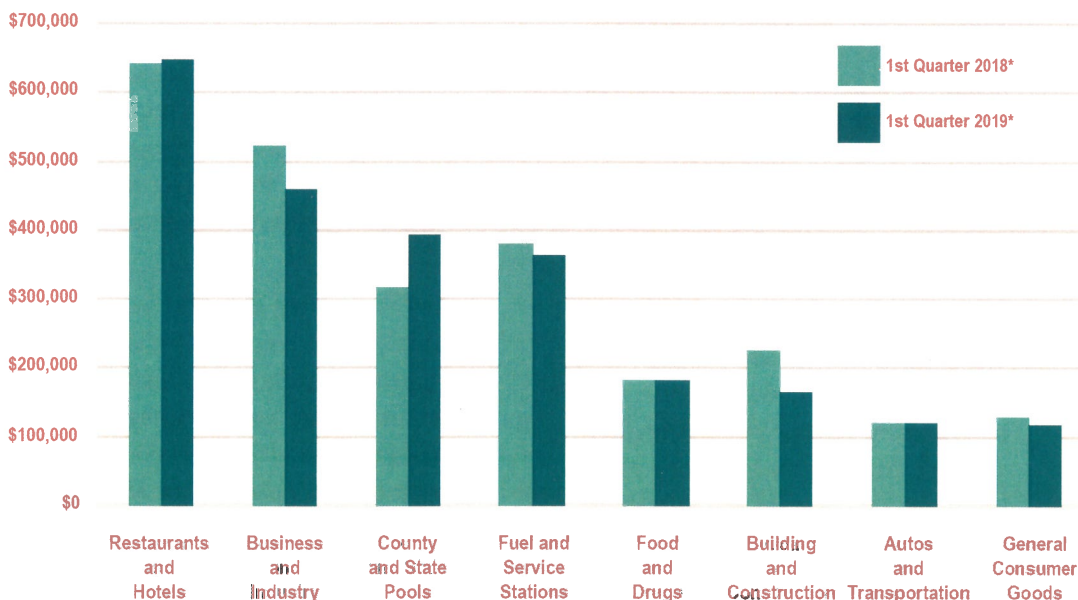
Focusing on actual receipts for this period, construction spending was postponed due to this period's wet weather and construction receipts were further depressed when a taxpayer's prior misallocations to the county began flowing to the correct jurisdiction. Weather appears to have also played a role in delaying purchases of agricultural supplies and other items used outdoors. The comparison period included a payment owed to another jurisdiction that negatively skewed gas station receipts.

The remaining business segments reported modest changes over the prior year that netted to a small decline in receipts.

Partially offsetting these declines was the large increase in the county's allocation from the countywide use tax pool which resulted from the overall increase in gross receipts this period.

Net of adjustments, taxable sales for all of Monterey County declined 2.0% over the comparable time period while those of the entire Central Coast region were down 2.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS IN ALPHABETICAL ORDER

7 Eleven	Monterey Peninsula Country Club
Bernardus Lodge	MRC Global
C & N Tractors	Nepenthe
Carmel Valley Ranch	Pacific Ag Rentals
Chemical Lime Company	Pebble Beach Resorts
Chevron	Phil's Fish Market
CVS Pharmacy	Post Ranch Inn
Dicks Arco	Prundale Valero/Ferm's Service
Gonzales Shell	RDO Agriculture Equipment
Irrigation Design & Construction	Roberts & Brune
Kristich Monterey Concrete Pipe	Safeway
Macs Cool	Sturdy Oil Company
Mission Ranch	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$7,618,520	\$8,482,022
County Pool	1,033,021	1,217,987
State Pool	5,908	4,140
Gross Receipts	\$8,657,449	\$9,704,149

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

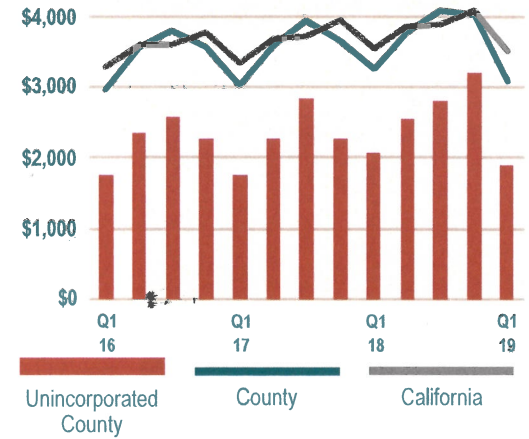
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

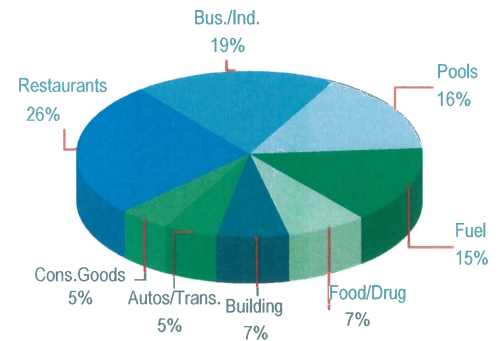
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

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	County	County	HdL State
	Q1 '19*	Change	Change	Change
Building Materials	58.0	-4.8%	-7.1%	1.2%
Casual Dining	140.3	-3.9%	0.4%	3.0%
Contractors	105.3	-36.4%	4.3%	3.8%
Convenience Stores/Liquor	35.6	-3.2%	0.4%	2.2%
Drugs/Chemicals	39.3	19.9%	16.0%	-0.1%
Garden/Agricultural Supplies	91.6	-26.0%	-6.5%	-6.3%
Grocery Stores	95.4	1.4%	2.9%	0.3%
Heavy Industrial	66.7	-3.8%	-4.5%	6.1%
Hotels-Liquor	382.7	2.0%	1.5%	0.7%
Leisure/Entertainment	60.7	5.2%	3.4%	2.5%
Petroleum Prod/Equipment	42.0	7.9%	-39.0%	-3.3%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —		-13.7%	7.1%
Service Stations	314.3	-5.5%	-6.5%	-3.2%
Warehse/Farm/Const. Equip.	107.7	-7.0%	2.6%	1.6%
Wineries	40.9	2.7%	3.3%	7.4%
Total All Accounts	2,061.5	-6.6%	-2.9%	0.4%
County & State Pool Allocation	394.4	24.1%	4.2%	5.1%
Gross Receipts	2,455.9	-2.8%	-2.0%	1.0%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.