

Q2 2019



Monterey County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Monterey County In Brief

The unincorporated area's receipts from April through June were 61.0% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City.

Excluding reporting aberrations, actual sales were up 17.5%. Aside from several outlets having year-ago late payments, the sale of a company's assets triggered a onetime infusion of monies for the fuel-service stations category.

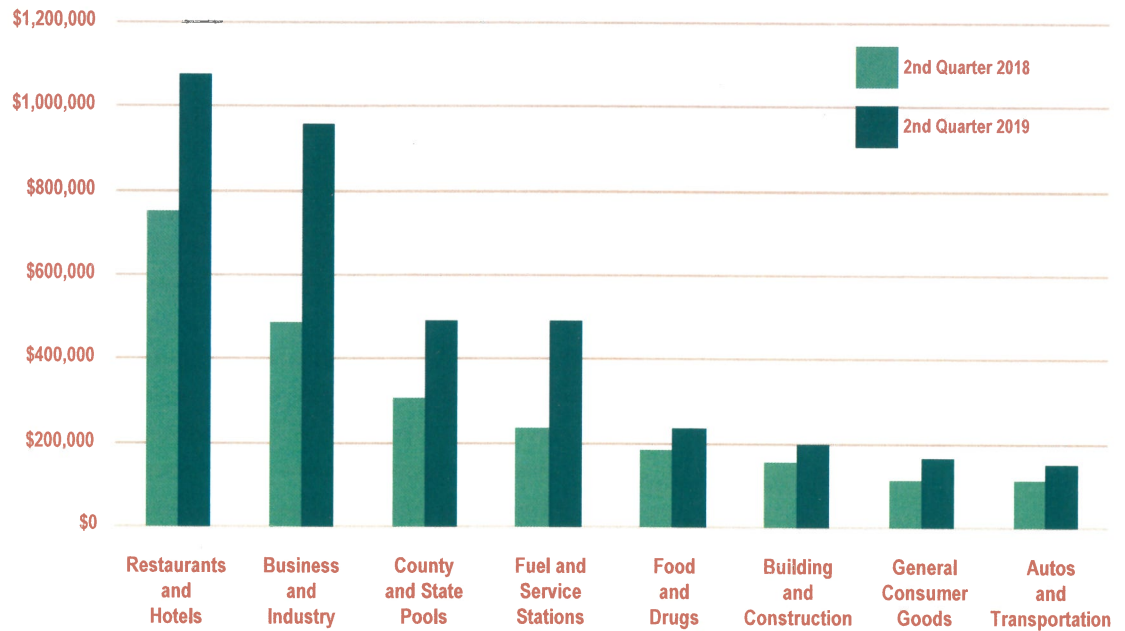
Returns for projects under construction across the County primarily accounted for 27% adjusted data growth by business-industry. Within this group, a multi-quarter taxpayer error skewed wineries receipts; real activity dipped 2%.

Booming tourism enriched hotel's performance; this segment accounted for one-fifth of total taxes for the quarter. With irregularities properly amended, revenues improved from garden/agricultural, grocery stores and leisure venues.

Once payment timing and other deviations were removed in the auto-related and general consumer sectors, results for each fell 3%.

Net of aberrations, taxable receipts for all of Monterey County grew 3.5% over the comparable time period; the Central Coast region was up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

C & N Tractors	Nepenthe
California Flats	Pacific Ag Rentals
Carmel Valley Ranch	Pacific Propane
Chevron	Pebble Beach Resorts
Cult Of 8	Phil's Fish Market
CVS Pharmacy	Prundale Valero/ farm's Service
Dibwani Motors	RDO Agriculture Equipment
Dicks Arco	Roberts & Brune
Dune Company of Salinas	Safeway
Gonzales Shell	Shell
Helena Chemical Company	Sturdy Oil Company
Kristich Monterey Concrete Pipe	Valero
Monterey Peninsula Country Club	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$9,610,296	\$12,685,844
County Pool	1,331,408	1,790,722
State Pool	5,665	6,308
Gross Receipts	\$10,947,370	\$14,482,874

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

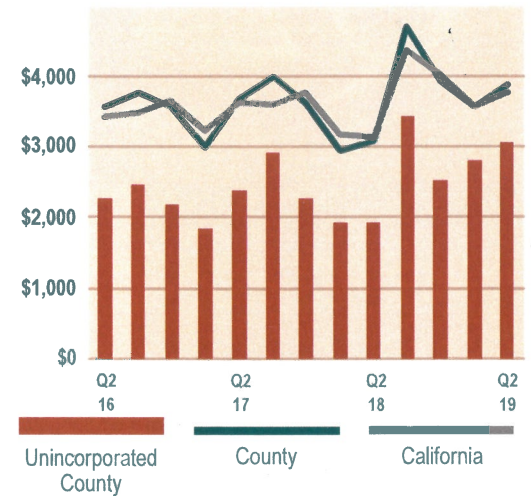
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

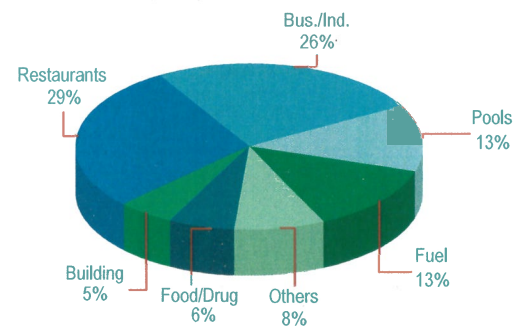
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

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 Q2 '19*	Unincorporated County Change	County Change	HdL State Change
Building Materials	77.4	31.2%	32.3%	34.1%
Casual Dining	186.4	19.6%	25.2%	24.5%
Contractors	120.0	24.1%	41.4%	26.8%
Energy/Utilities	— CONFIDENTIAL —		na	67.4%
Garden/Agricultural Supplies	202.3	13.6%	18.3%	22.0%
Grocery Stores	111.1	6.4%	14.6%	9.6%
Heavy Industrial	74.4	28.5%	36.5%	42.4%
Hotels-Liquor	703.2	59.2%	52.0%	16.4%
Leisure/Entertainment	101.6	35.5%	31.2%	16.5%
Petroleum Prod/Equipment	69.1	142.4%	na	15.5%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —		17.4%	29.3%
Service Stations	374.9	88.3%	63.9%	51.4%
Used Automotive Dealers	48.1	82.1%	30.8%	90.2%
Warehouse/Farm/Const. Equip.	— CONFIDENTIAL —		46.2%	47.9%
Wineries	105.5	242.6%	12.2%	24.7%
Total All Accounts	3,296.8	61.1%	28.7%	20.1%
County & State Pool Allocation	492.2	60.1%	27.9%	22.4%
Gross Receipts	3,789.0	61.0%	28.6%	20.4%