

Q4 2019



Monterey County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Monterey County In Brief

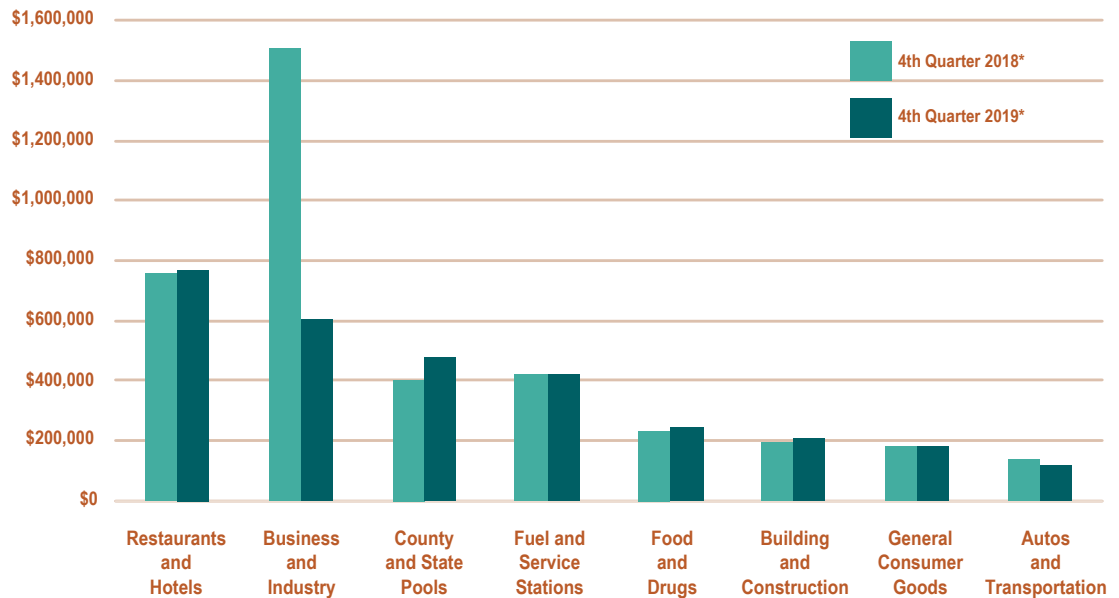
The unincorporated area's receipts from October through December were 2.6% above the fourth sales period in 2018. Excluding reporting adjustments, actual sales were down 21.5%.

A large amount of sales tax received in the prior year from a now completed capital project negatively skewed this period's results while a large influx of taxes from online retailers into the use tax pool increased the county's allocation from the pool, partially offsetting the decline.

The county can expect these taxes from online retailers, collected in accordance with AB 147, to have a positive influence on pool allocations for the next three quarters until the retailers have completed a full year of payments.

Net of adjustments, taxable sales for all of Monterey County declined 3.4% over the comparable time period while those of the entire Central Coast region were up 0.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Pebble Beach Resorts
ABC Supply Co	Phil's Fish Market
Bernardus Lodge	Prundale Valero/farm's Service
C & N Tractors	R & S Supply
Carmel Valley Ranch	RDO Agriculture Equipment
Chevron	Rinaldi Tile & Marble
Cult Of 8	Roberts & Brune
CVS Pharmacy	Safeway
Dicks Arco	Shell
Kristich Monterey Concrete Pipe	Sturdy Oil Company
Monterey Peninsula Country Club	Valero
Nepenthe	Ventana Inn
Pacific Ag Rentals	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$6,346,968	\$5,683,465
County Pool	864,266	919,765
State Pool	3,175	2,496
Gross Receipts	\$7,214,410	\$6,605,727

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

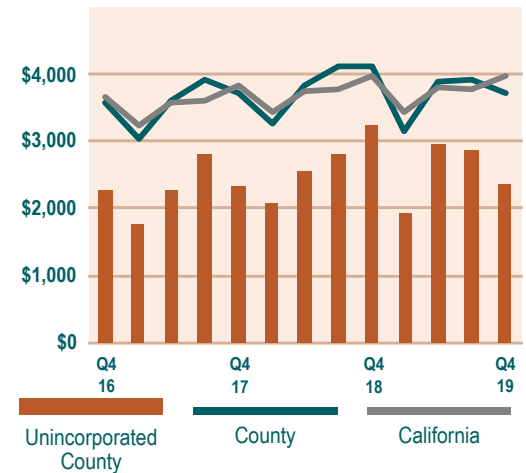
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

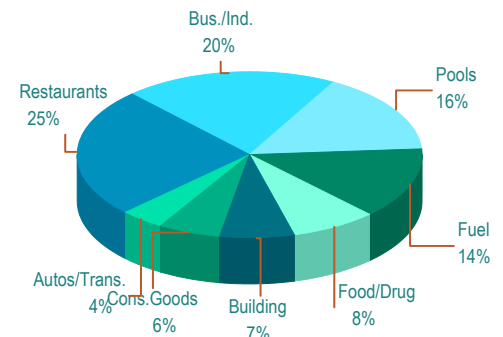
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP Monterey Co. Uninc This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

MONTEREY COUNTY TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Unincorporated County Q4 '19*	Change	County Change	HdL State Change
Building Materials	73.5	-4.3%	0.5%	1.4%
Casual Dining	162.5	0.4%	1.3%	3.8%
Contractors	132.1	13.9%	-6.2%	-4.4%
Convenience Stores/Liquor	46.9	-0.2%	0.1%	-0.3%
Garden/Agricultural Supplies	105.1	-6.1%	-5.5%	-0.4%
Grocery Stores	127.7	1.6%	4.3%	1.3%
Heavy Industrial	75.8	-15.2%	-11.8%	-3.2%
Hotels-Liquor	439.6	2.3%	4.2%	0.0%
Leisure/Entertainment	95.0	-0.3%	6.0%	4.6%
Petroleum Prod/Equipment	59.7	0.0%	-3.4%	-1.3%
Quick-Service Restaurants	39.6	5.8%	3.6%	1.9%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —		5.8%	1.4%
Service Stations	353.7	-0.9%	-2.5%	0.2%
Warehse/Farm/Const. Equip.	136.2	11.8%	23.3%	0.0%
Wineries	66.3	0.6%	-0.3%	-1.2%
Total All Accounts	2,548.6	-26.2%	-6.9%	0.2%
County & State Pool Allocation	478.3	19.4%	21.3%	26.7%
Gross Receipts	3,026.8	-21.5%	-3.4%	4.2%

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