

# Q2 2020



# Monterey County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

## Monterey County In Brief

The unincorporated area's receipts from April through June were 28.1% below the second sales period in 2019. Excluding reporting adjustments and missing payments, actual receipts for the period were down 31.2%.

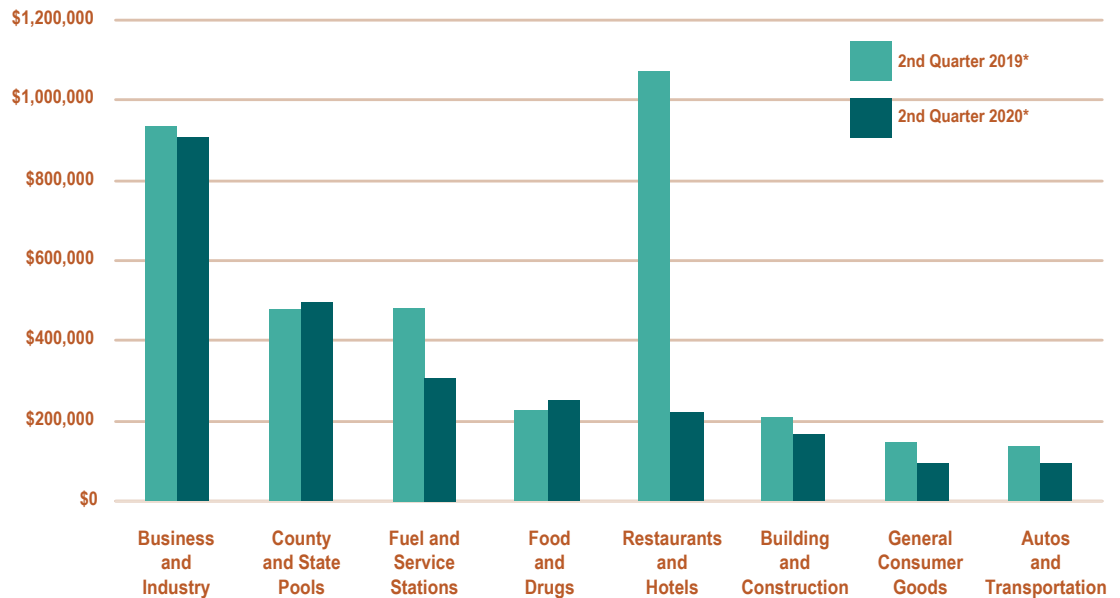
The limitations on physical movement created by the shelter in place orders cut commuter and tourist traffic significantly with gas sales and restaurant activity cut heavily as a result. The drop in restaurant traffic hit the ag sector hard as they lost a major market for perishable food items and this affected business to business sales but spending by heavy industry helped offset some of the decline.

In lieu of dining in restaurants, residents turned to buying staples at food and drug outlets but sales at general retail outlets were way off this period.

On a positive note, home confinement caused a huge jump in on-line sales and the resulting boost in taxes inflated the countywide use tax pool by nearly 28%. The result is that the county's allocation increased by 4% over this time last year.

Net of adjustments, taxable sales for all of Monterey County declined 22.5% over the comparable time period while those of the entire Central Coast region were down 17.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

American Wire Group	Pacific Ag Rentals
C & N Tractors	Pebble Beach Resorts
Chevron	Power Electronics
CVS Pharmacy	Prundale Valero/farm's Service
Dicks Arco	R & S Supply
Duke Energy	Rain For Rent
Dune Company of Salinas	RDO Agriculture Equipment
Griggs Nursery	Royal Oaks Valero
Helena Chemical Company	Safeway
Irrigation Design & Construction	Santa Cruz Naturals
Kleen Globe	Shell
Kristich Monterey Concrete Pipe	Sturdy Oil Company
	Wilbur Ellis

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$12,685,844	\$9,667,301
County Pool	1,790,722	1,861,238
State Pool	6,308	4,960
<b>Gross Receipts</b>	<b>\$14,482,874</b>	<b>\$11,533,499</b>

## Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

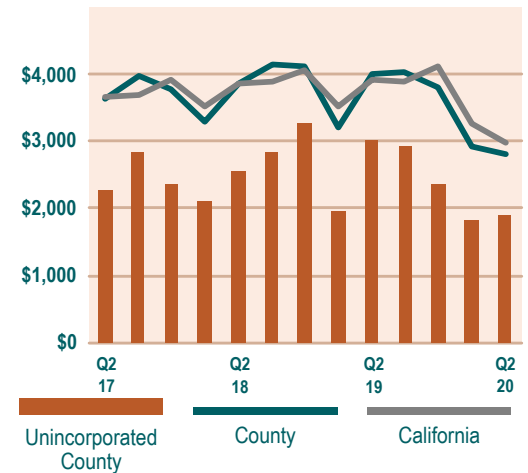
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

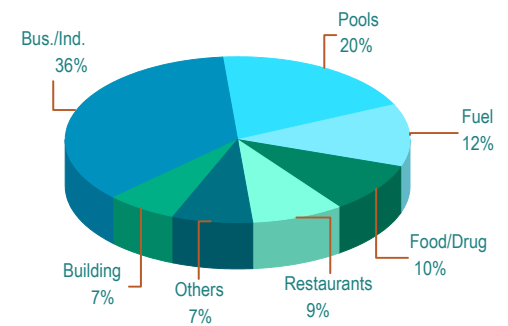
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

## 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 Q2 '20*	Change	County Change	HdL State Change
Building Materials	70.6	-7.9%	4.6%	7.0%
Cannabis Related	50.3	38.8%	15.7%	40.4%
Casual Dining	80.9	-56.5%	-57.0%	-53.2%
Contractors	95.2	-26.7%	-23.2%	-12.2%
Convenience Stores/Liquor	49.4	0.3%	5.9%	8.4%
Energy/Utilities	— CONFIDENTIAL —		1.8%	8.9%
Garden/Agricultural Supplies	225.9	3.6%	-1.6%	3.5%
Grocery Stores	124.5	12.1%	4.2%	7.8%
Heavy Industrial	51.1	-29.4%	-16.7%	-10.3%
Hotels-Liquor	63.5	-91.0%	-91.6%	-80.1%
Quick-Service Restaurants	30.1	-27.8%	-16.6%	-22.0%
Repair Shop/Equip. Rentals	65.5	-20.6%	-18.3%	-13.3%
Service Stations	271.9	-26.1%	-40.7%	-45.2%
Warehouse/Farm/Const. Equip.	165.8	10.7%	-2.5%	-2.0%
Wineries	33.1	-32.2%	-32.4%	-25.7%
<b>Total All Accounts</b>	<b>2,040.6</b>	<b>-36.5%</b>	<b>-29.8%</b>	<b>-24.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>496.9</b>	<b>4.2%</b>	<b>27.5%</b>	<b>28.9%</b>
<b>Gross Receipts</b>	<b>2,537.5</b>	<b>-31.2%</b>	<b>-22.5%</b>	<b>-16.3%</b>

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