

Q1 2020



Monterey County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Monterey County In Brief

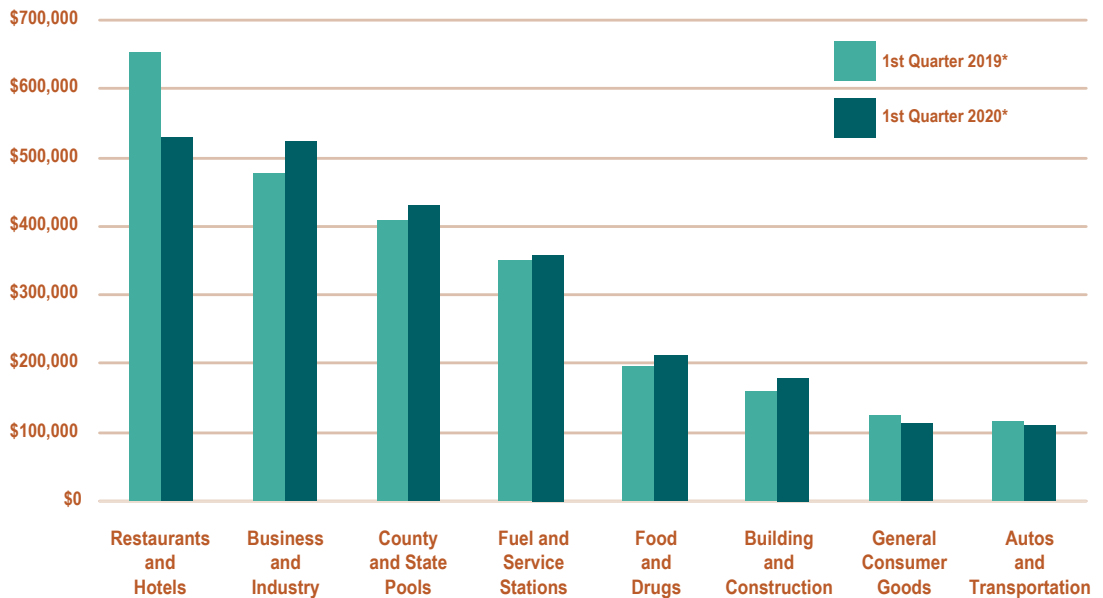
The unincorporated area's receipts from January through March were 35% below the first sales period in 2019 as taxpayers took advantage of the State's tax payment holiday. Excluding missing payments and other reporting adjustments, actual sales were flat.

The statistics for this period are tentative due to the need to fill in the missing payments with estimated amounts. It is clear though that nearly \$78,000 in one-time payments from a variety of taxpayers and a jump in the allocation from the countywide use tax pool saved the quarter from reflecting a negative result.

The change in travel patterns had an immediate effect on fuel sales and restaurant activity. AB 147, which requires online retailers to charge sales tax on all items sold, has provided a significant increase in revenue to the use tax pools across the state and more growth is expected in the next two quarters.

Net of adjustments, taxable sales for all of Monterey County declined 6.1% over the comparable time period while those of the entire Central Coast region were down 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Pacific Gas & Electric
ABC Supply Co	Pebble Beach Resorts
C & N Tractors	Prundale Valero/farm's Service
Carmel Valley Ranch	R & S Supply
Chevron	RDO Agriculture Equipment
CVS Pharmacy	Rinaldi Tile & Marble
Dicks Arco	Roberts & Brune
Duke Energy	Royal Oaks Valero
Kristich Monterey Concrete Pipe	Safeway
Macs Cool	Shell
Mission Ranch	Sturdy Oil Company
MRC Global	Valero
Pacific Ag Rentals	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$9,389,021	\$7,469,871
County Pool	1,299,929	1,334,628
State Pool	4,888	4,094
Gross Receipts	\$10,693,838	\$8,808,594

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

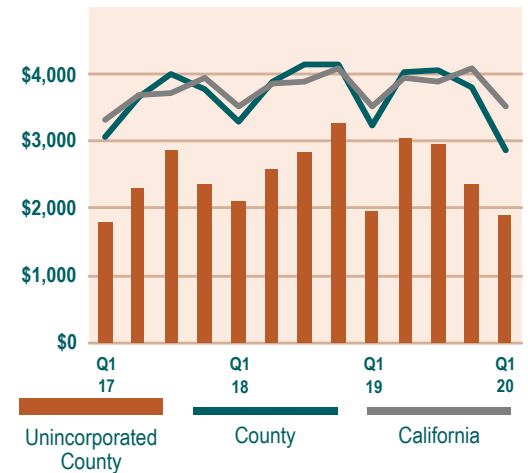
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

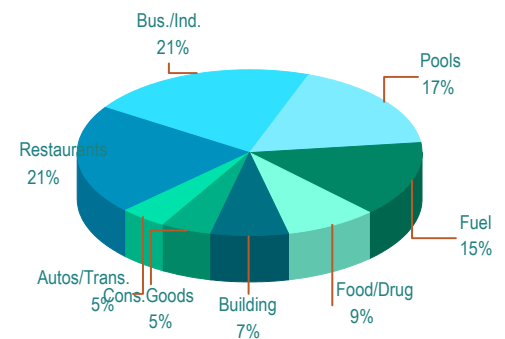
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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	Unincorporated County		County	HdL State
	Q1 '20*	Change	Change	Change
Building Materials	61.5	6.0%	1.0%	3.0%
Cannabis Related	— CONFIDENTIAL —		1.1%	13.5%
Casual Dining	118.3	-18.7%	-20.6%	-18.8%
Contractors	117.7	18.2%	-3.7%	3.1%
Energy/Utilities	— CONFIDENTIAL —		131.1%	-11.7%
Garden/Agricultural Supplies	95.9	5.9%	12.5%	12.0%
Grocery Stores	112.3	17.7%	13.0%	11.8%
Heavy Industrial	71.9	7.1%	2.1%	-6.3%
Hotels-Liquor	313.8	-17.8%	-17.8%	-28.4%
Leisure/Entertainment	47.3	-23.7%	-27.1%	-21.6%
Petroleum Prod/Equipment	47.1	-11.8%	-51.9%	-9.6%
Repair Shop/Equip. Rentals	63.3	23.6%	13.7%	-0.3%
Service Stations	304.3	5.5%	-5.4%	-9.5%
Warehse/Farm/Const. Equip.	118.1	9.6%	-1.2%	4.3%
Wineries	37.6	-9.5%	-11.4%	-6.8%
Total All Accounts	2,029.8	-2.3%	-9.6%	-7.3%
County & State Pool Allocation	429.0	5.3%	17.2%	22.4%
Gross Receipts	2,458.8	-1.1%	-6.1%	-3.0%

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