

# Q1 2020



# Pacific Grove Sales Tax *Update*

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

## Pacific Grove In Brief

Pacific Grove's receipts from January through March were 23.4% below the first sales period in 2019; much of this decline was caused by some companies were permitted an extra 90-days to file tax returns under the Governor's recent Executive Order. Excluding reporting aberrations, actual sales were down 3.2%.

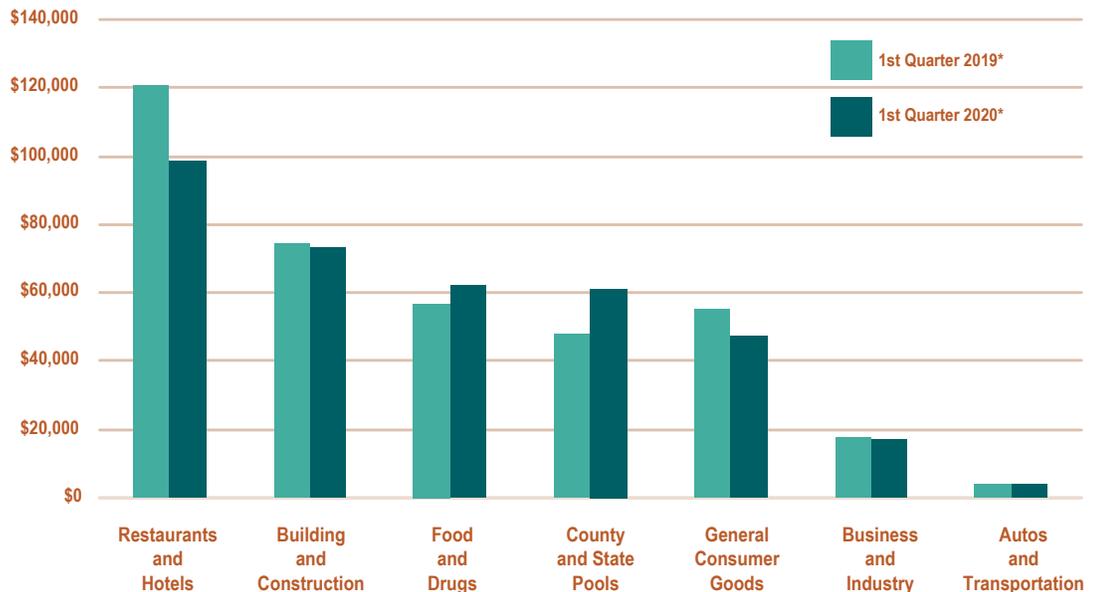
County Officials declared a shelter-in-place in mid-March; numerous businesses closed and consequences were significant. Losses from casual dining and quick-service restaurants were a major factor in the decrease. Dropping prices and fewer customers resulted in decline in service stations.

Building materials and grocery stores were a bright spot this quarter.

The City's allocation from the countywide pool grew 27.4%; the growth in the pool can be attributed to new revenue from the Wayfair decision and increase in online shopping.

Net of aberrations, taxable sales for all of Monterey County declined 6.1% over the comparable time period; the Central Coast region was down 2.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Passionfish
Asilomar Conference Center	Pebble Beach Market
Beach House at Lovers Point	Pendleton Woolen Mills
Fandango	Peppers Mexicali Cafe
Fishwife	Pet Supplies Plus
Forest Hill Shell	Pier 1 Imports
Hayward Lumber	Red House Cafe
Il Vecchio	Rite Aid
Lucky	Safeway
Mum's Place	Semaconnect
One Stop Chevron Gas & Food Mart	Trader Joes
P G 89 Smog & Auto Repair	Visions Design Center
Pacific Grove Shell	

## REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$1,167,605	\$1,213,883
County Pool	161,605	213,989
State Pool	606	648
<b>Gross Receipts</b>	<b>\$1,329,816</b>	<b>\$1,428,520</b>
<b>Measure U</b>	<b>\$1,724,541</b>	<b>\$1,585,537</b>

**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.

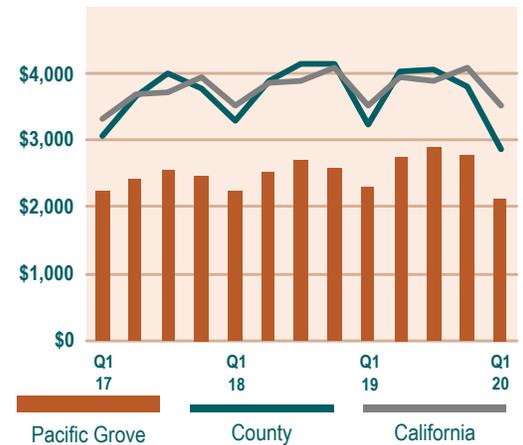
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

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.

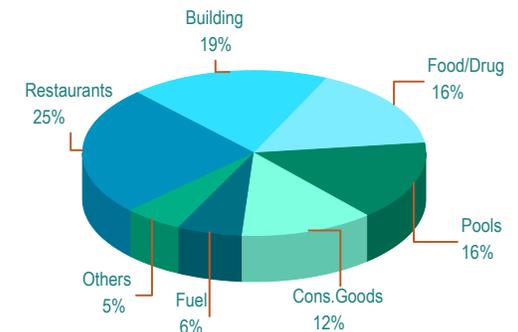
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP**  
Pacific Grove This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**PACIFIC GROVE TOP 15 BUSINESS TYPES\*\***

Business Type	Pacific Grove		County	HdL State
	Q1 '20	Change	Change	Change
Building Materials	51,242	7.2%	1.0%	3.0%
Casual Dining	49,795	-21.0%	-20.6%	-18.8%
Contractors	12,431	-26.1%	-3.7%	3.1%
Drug Stores	— CONFIDENTIAL —	—	1.9%	3.4%
Electrical Equipment	— CONFIDENTIAL —	—	-14.0%	-7.1%
Fine Dining	13,760	-3.0%	-14.7%	-24.1%
Government/Social Org.	4,558	45.3%	-0.7%	-10.4%
Grocery Stores	47,580	11.5%	13.0%	11.8%
Home Furnishings	13,064	13.1%	-20.1%	-13.0%
Leisure/Entertainment	— CONFIDENTIAL —	—	-27.1%	-21.6%
Paint/Glass/Wallpaper	— CONFIDENTIAL —	—	7.7%	3.6%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-14.1%	1.5%
Quick-Service Restaurants	10,275	-13.8%	-7.4%	-8.5%
Service Stations	24,866	-2.4%	-5.4%	-9.5%
Specialty Stores	9,462	-1.0%	-4.0%	-10.1%
<b>Total All Accounts</b>	<b>328,268</b>	<b>-7.3%</b>	<b>-9.6%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>61,326</b>	<b>27.3%</b>	<b>17.2%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>389,594</b>	<b>-3.2%</b>	<b>-6.1%</b>	<b>-3.0%</b>

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