

Q3 2016



Pacific Grove Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Pacific Grove In Brief

Pacific Grove's allocation of sales and use tax from its July through September sales was 2.0% higher than the same quarter of 2015. Actual sales activity was up 2.1% after accounting anomalies are factored out.

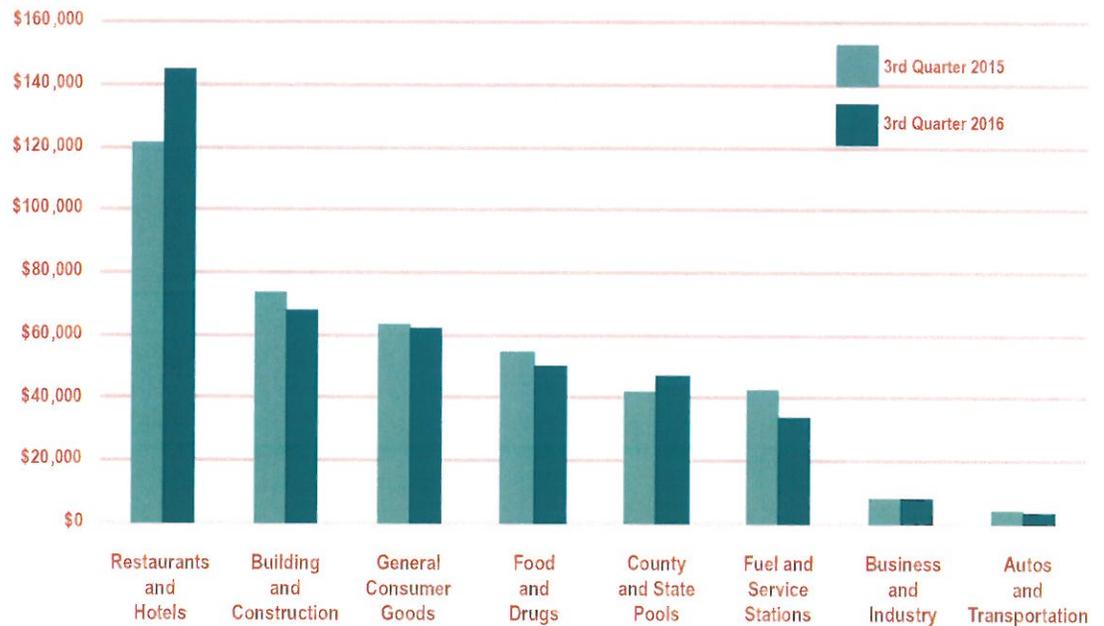
The accounting anomalies deflated comparisons within the building-construction, fuel-service station and general consumer goods groups while inflating receipts from restaurants. Once adjusted, the actual gains came from a combination of new additions and solid sales within the building-construction and general consumer goods categories plus a rise in the countywide use tax allocation pool.

The pool gains are primarily due to the acceleration in online shopping where many of the orders are placed to out-of-state call centers and/or shipped from out-of-state. Pacific Grove generated 2.3% of countywide sales during the current reporting period thereby receiving 2.3% of the use tax pool.

Voter-approved Measure U added \$506,485 to the amounts discussed above and was 3.3% higher than last year's comparable quarter.

Adjusted for aberrations, sales and use tax receipts for all of Monterey County increased 4.2% over the comparable time period while the five county Central Coast region as a whole, was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	One Stop Gas & Food Mart
Aqua Terra Culinary	Pacific Grove Shell
Asilomar Conference Center	Passionfish
Associated Building Supply	Pendleton Woolen Mills
Beach House at Lovers Point	Peppers Mexicali Cafe
Fandango	Red House Cafe
First Awakenings	Rite Aid
Fishwife	Safeway
Hayward Lumber	Save Mart Supermarkets
Il Vecchio	Shell
La Creme Monterey	Trader Joes
Marita's Boutique	Visions Design Center
Mum's Place	

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$722,516	\$755,026
County Pool	78,937	104,462
State Pool	359	261
Gross Receipts	\$801,812	\$859,749
Less Triple Flip*	\$(200,453)	\$0
Measure U	\$956,725	\$1,020,410

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Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

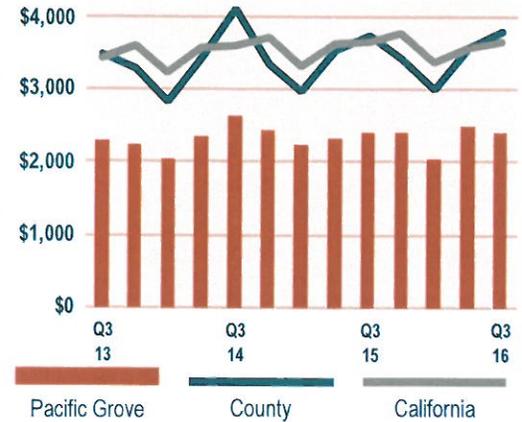
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



**COUNTY OVERALL
3Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Actual*
Autos and Transportation	5.1%	11.4%
Building and Construction	5.8%	2.7%
Business and Industry	4.4%	2.0%
Food and Drugs	3.1%	1.1%
Fuel and Service Stations	-16.6%	-8.2%
General Consumer Goods	3.3%	2.9%
Restaurants and Hotels	7.1%	3.1%
Transfers and Unidentified	117.2%	n/a
County and State Pools	13.9%	17.7%
Total	3.1%	4.2%

*Accounting anomalies factored out

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

