Pacific Grove Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Sales Tax by Major Business Group

<table>
<thead>
<tr>
<th>Category</th>
<th>2nd Quarter 2018</th>
<th>2nd Quarter 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants and Hotels</td>
<td>$200,000</td>
<td></td>
</tr>
<tr>
<td>Building and Construction</td>
<td>$160,000</td>
<td></td>
</tr>
<tr>
<td>County and State Pools</td>
<td>$120,000</td>
<td></td>
</tr>
<tr>
<td>General Consumer Goods</td>
<td>$80,000</td>
<td></td>
</tr>
<tr>
<td>Food and Drugs</td>
<td>$40,000</td>
<td></td>
</tr>
<tr>
<td>Business and Industry</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Autos and Transportation</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

Top 25 Producers (in alphabetical order):

Ace Hardware
Aqua Terra Culinary
Asilomar Conference Center
Beach House at Lovers Point
Fandango
First Awakenings
Fishwife
Forest Hill Shell
Hayward Lumber
Il Vecchio
La Creme Monterey
Lucky
Monarch Pub & Restaurant
Mum's Place
One Stop Chevron
Gas & Food Mart
Pacific Grove 76 & Smog
Pacific Grove Shell
Passionfish
Pebble Beach Market
Pendleton Woolen Mills
Peppers Mexicali Cafe
Rite Aid
Safeway
Trader Joe's
Visions Design Center

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$1,401,230</td>
<td>$1,645,737</td>
</tr>
<tr>
<td>County Pool</td>
<td>195,056</td>
<td>232,784</td>
</tr>
<tr>
<td>State Pool</td>
<td>811</td>
<td>812</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$1,597,097</td>
<td>$1,879,333</td>
</tr>
<tr>
<td>Measure U</td>
<td>$1,900,774</td>
<td>$2,323,344</td>
</tr>
</tbody>
</table>

Published by Hdl Companies in Fall 2019
www.hdlcompanies.com | 888.861.0220
California Overall
The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act
Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with returns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

AB 147 requires out-of-state retailers with annual combined sales of $500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the $500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools.

Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

Revenue By Business Group
Pacific Grove This Quarter

Sales Per Capita

County Overall
IQ YOY RECEIPTS % CHANGE

Major Industry Groups | Cash | Adjusted*
--- | --- | ---
Autos and Transportation | -6.5% | -7.7%
Building and Construction | 35.3% | 0.5%
Business and Industry | 49.3% | 8.2%
Food and Drugs | 15.8% | 4.0%
Fuel and Service Stations | 132.6% | -2.2%
General Consumer Goods | 16.4% | -0.3%
Restaurants and Hotels | 29.2% | 11.6%
County and State Pools | 27.9% | 15.5%
Total | 28.6% | 3.5%

*Accounting anomalies factored out