

# Q3 2019



# Pacific Grove Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

## Pacific Grove In Brief

Pacific Grove's receipts from July through September were 15.3% above the third sales period in 2018. This comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting anomalies, actual sales were up 10.3%.

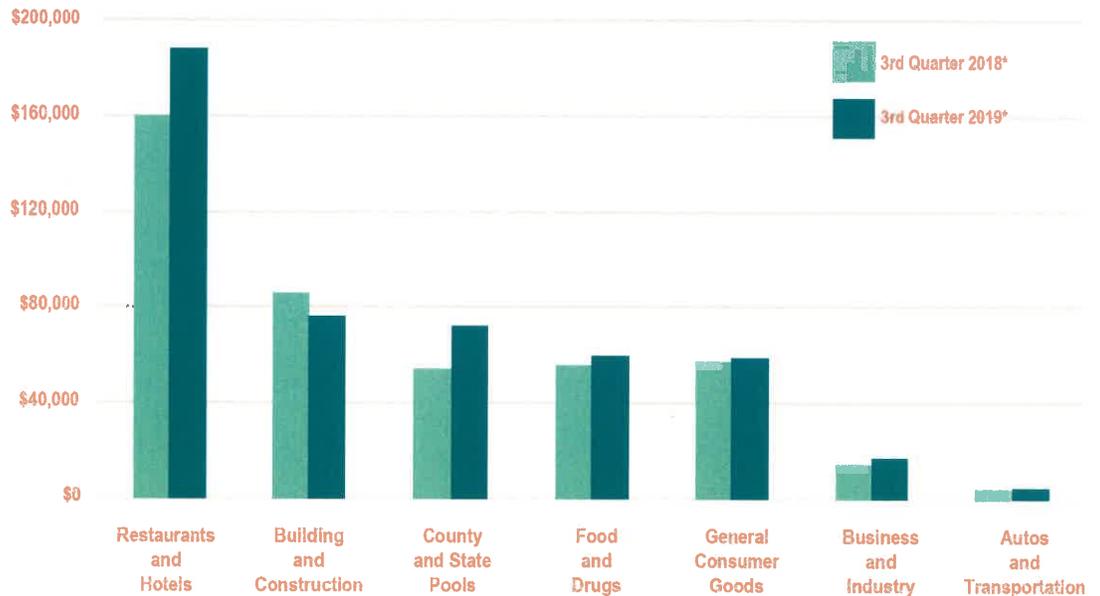
Over half of the quarter's gain came from the restaurants-hotels category; exceptionally strong performance in some sectors outweighed the reduction from casual dining. Newer grocer options propelled food and drugs higher; dynamic fuel prices explained service station's improvement.

Merchant's point of sale 7% surge combined with first time returns by out-of-state retailers that generated new taxes under the Wayfair decision yielded considerable larger countywide pool allocations.

The voter-approved Measure U generated \$604,998 this quarter. Hotels-restaurants contributed the majority of positive change which helped offset slower activity reported by autos-transportation.

Net of aberrations, taxable sales for all of Monterey County declined 1.0% over the comparable time period; the Central Coast region was up 1.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity*

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$457,337	\$520,706
County Pool	60,346	76,389
State Pool	234	204
<b>Gross Receipts</b>	<b>\$517,917</b>	<b>\$597,300</b>
<b>Measure U</b>	<b>\$670,250</b>	<b>\$600,865</b>

**Statewide Results**

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

**Additional Tax Districts Approved**

Voters approved eight of the nine sales

tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

**SALES PER CAPITA\***



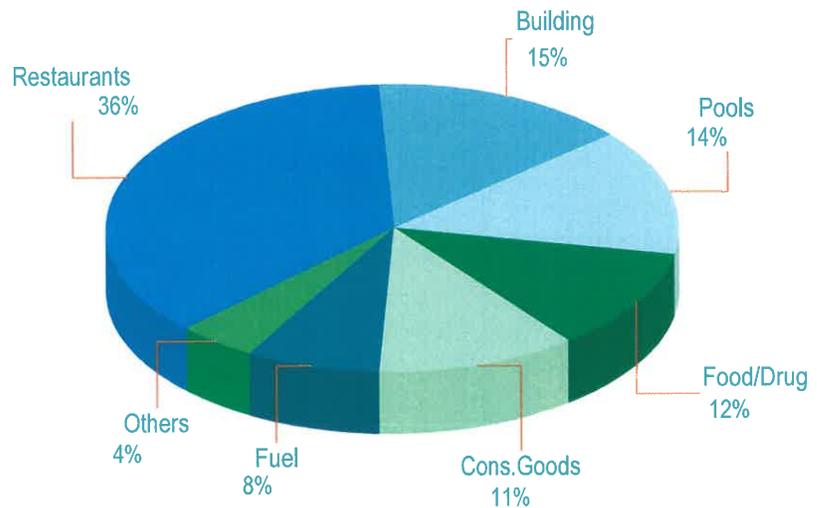
\*Allocation aberrations have been adjusted to reflect sales activity

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

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-10.1%	-9.6%
Building and Construction	-26.2%	-6.4%
Business and Industry	-16.5%	2.2%
Food and Drugs	4.2%	6.5%
Fuel and Service Stations	-16.9%	-0.4%
General Consumer Goods	-11.0%	-2.2%
Restaurants and Hotels	-2.0%	1.0%
County and State Pools	-1.5%	3.4%
<b>Total</b>	<b>-10.2%</b>	<b>-1.2%</b>

\*Accounting anomalies factored out

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



\*Allocation aberrations have been adjusted to reflect sales activity