

# Q4 2019



# Pacific Grove Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## Pacific Grove In Brief

Pacific Grove's receipts from October through December were 28.9% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 10.5%.

Casual dining sales were up skewed by reporting anomalies but one-time payments and new outlets resulted in gains of 13.9% in the restaurants/hotel group.

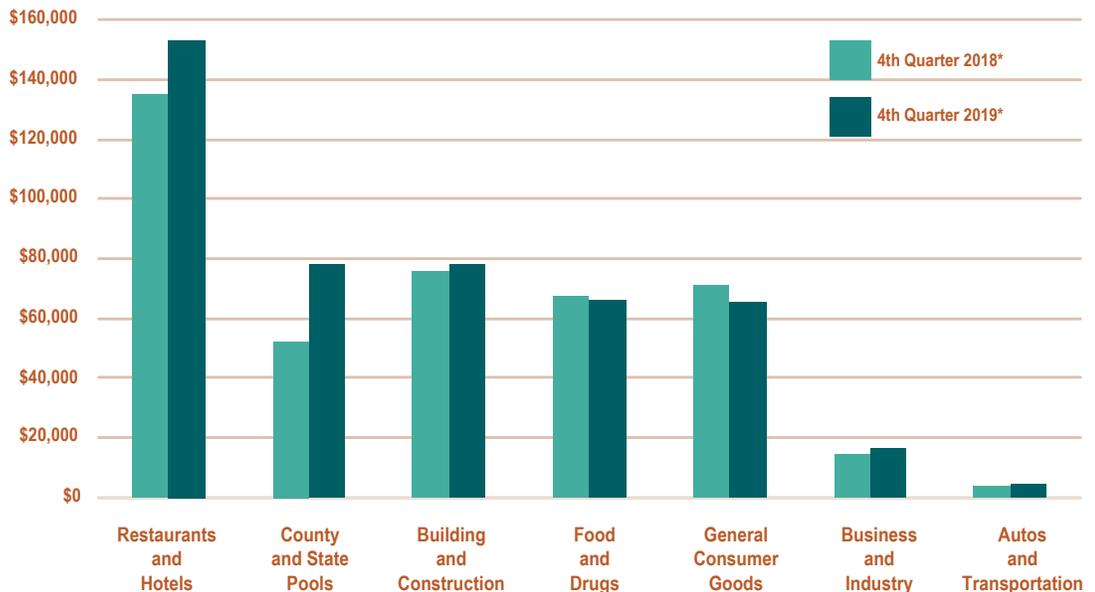
General consumer goods were a mixed bag, some business types had strong sales while others were slowing, overall the group posted a 7.9% decline.

The full implementation of AB 147 (Wayfair- Marketplace Facilitators) boosted the City's allocation from the countywide use tax pool by 50%. This good news mitigated some of the declines from point of sale for the quarter.

The voter-approved transaction tax generated \$592,161; boosted by new revenues generated as a result of AB 147.

Net of aberrations, taxable sales for all of Monterey County declined 3.4% over the comparable time period; the Central Coast region was up 0.8%.

## 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
Lucky	Semaconnect
Marita's Boutique	Trader Joes
Mum's Place	Visions Design Center
One Stop Chevron Gas & Food Mart	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$807,969	\$958,501
County Pool	110,100	154,681
State Pool	404	420
<b>Gross Receipts</b>	<b>\$918,473</b>	<b>\$1,113,601</b>
<b>Measure U</b>	<b>\$1,237,155</b>	<b>\$1,209,125</b>

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

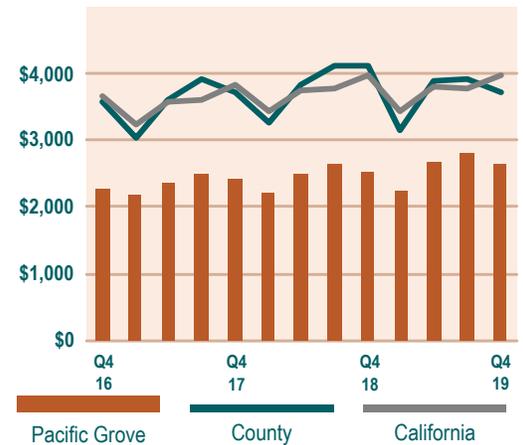
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

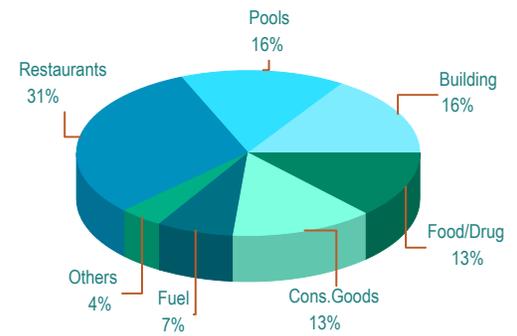
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**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
	Q4 '19	Change	Change	Change
Building Materials	54,844	4.6%	0.5%	1.4%
Casual Dining	63,797	-8.1%	1.3%	3.8%
Contractors	12,670	-6.5%	-6.2%	-4.4%
Drug Stores	— CONFIDENTIAL —	—	0.1%	-0.7%
Electrical Equipment	— CONFIDENTIAL —	—	-10.2%	3.4%
Family Apparel	— CONFIDENTIAL —	—	2.4%	1.3%
Fine Dining	19,344	19.6%	-0.5%	-2.9%
Government/Social Org.	5,485	-6.7%	-29.4%	-21.4%
Grocery Stores	52,305	2.5%	4.3%	1.3%
Home Furnishings	14,553	13.8%	0.4%	-2.1%
Leisure/Entertainment	— CONFIDENTIAL —	—	6.0%	4.7%
Paint/Glass/Wallpaper	— CONFIDENTIAL —	—	-3.7%	0.6%
Quick-Service Restaurants	12,655	-1.8%	3.6%	1.9%
Service Stations	36,741	15.1%	-2.5%	0.2%
Specialty Stores	8,758	-17.5%	6.1%	-3.8%
<b>Total All Accounts</b>	<b>420,233</b>	<b>5.4%</b>	<b>-6.9%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>78,239</b>	<b>50.0%</b>	<b>21.3%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>498,472</b>	<b>10.5%</b>	<b>-3.4%</b>	<b>4.2%</b>

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