Pacific Grove
In Brief

Pacific Grove's receipts from January through March were 9.9% below the first sales period in 2017. Excluding reporting adjustments but allowing for an estimated $14,000 in unprocessed tax returns which the state is expected to pay out in the next quarter, actual sales were down 2.8%.

Fuel receipts were lower as the state's omission of tax returns from one station this period and several tax recoveries in the prior year skewed results negatively.

Receipts from general consumer goods sales were also sharply lower on a percentage basis following the prior closure of two outlets and the lack of payments from at least two others that filed their tax returns but failed to pay.

Measure U, the City's 1% district tax, brought in $436,163 or 2.6% less than it did during the same time last year. An estimated $20,000 in unprocessed returns remain to be posted in the next quarter, causing the negative result this period.

Net of adjustments, taxable sales for all of Monterey County grew 3.9% over the comparable time period while those of the entire Central Coast region were up 5.2%.

Sales Tax by Major Business Group

Top 25 Producers

In alphabetical order:

- Ace Hardware
- Asilomar Conference Center
- Beach House at Lovers Point
- Fandango
- First Awakenings
- Fishwife
- Grove Market
- Hayward Lumber
- Home Lighter
- Il Vecchio
- International Cuisine
- La Creme Monterey
- Lucky
- Marita's Boutique
- Michael's Grill & Taqueria
- Mum's Place
- One Stop Chevron Gas & Food Mart
- Pacific Grove Shell
- Passionfish
- Pendleton Woolen Mills
- Peppers Mexican Cafe
- Red House Cafe
- Rite Aid
- Safeway
- Visions Design Center

Revenue Comparison

Four Quarters - Fiscal Year To Date

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$1,502,376</td>
<td>$1,481,535</td>
</tr>
<tr>
<td>County Pool</td>
<td>205,303</td>
<td>196,853</td>
</tr>
<tr>
<td>State Pool</td>
<td>1,160</td>
<td>493</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$1,708,839</td>
<td>$1,678,882</td>
</tr>
<tr>
<td>Measure U</td>
<td>$1,995,574</td>
<td>$1,964,997</td>
</tr>
</tbody>
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CDTFA Changes
The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results
Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HDL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

Supreme Court Ruling
On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by Quill is no longer a clear or easily applicable standard, and the online interstate marketplace was not the prevailing issue before the court in 1992.

In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (Wayfair and Newegg).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about $1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average $60 per year for each California household, and California businesses average $171 per year in unpaid use tax liabilities.

The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA

COUNTY OVERALL
IQ YOY RECEIPTS % CHANGE

<table>
<thead>
<tr>
<th>Major Industry Groups</th>
<th>Cash</th>
<th>Adjusted*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autos and Transportation</td>
<td>-4.2%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>11.8%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Business and Industry</td>
<td>-10.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Food and Drugs</td>
<td>3.2%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Fuel and Service Stations</td>
<td>-14.3%</td>
<td>-13.1%</td>
</tr>
<tr>
<td>General Consumer Goods</td>
<td>-0.8%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Restaurants and Hotels</td>
<td>4.9%</td>
<td>7.2%</td>
</tr>
<tr>
<td>County and State Pools</td>
<td>5.4%</td>
<td>6.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-0.8%</td>
<td>3.9%</td>
</tr>
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*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP
Pacific Grove This Quarter

- Restaurants: 32%
- Cons. Goods: 14%
- Pools: 13%
- Others: 3%
- Fuel: 5%
- Food/Drug: 11%

Building: 21%