

Q1 2019



Pacific Grove Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Pacific Grove In Brief

Pacific Grove's receipts from January through March were 12.2% above the first sales period in 2018. Excluding reporting aberrations, actual sales were down 3.7%.

Reporting irregularities hid the declines in casual dining which fell 11.3% after accounting for the anomalies. Missing payments in the comparison quarter inflated results in food and drug and service stations which otherwise posted a 9.4% gain and a 0.8% decline respectively.

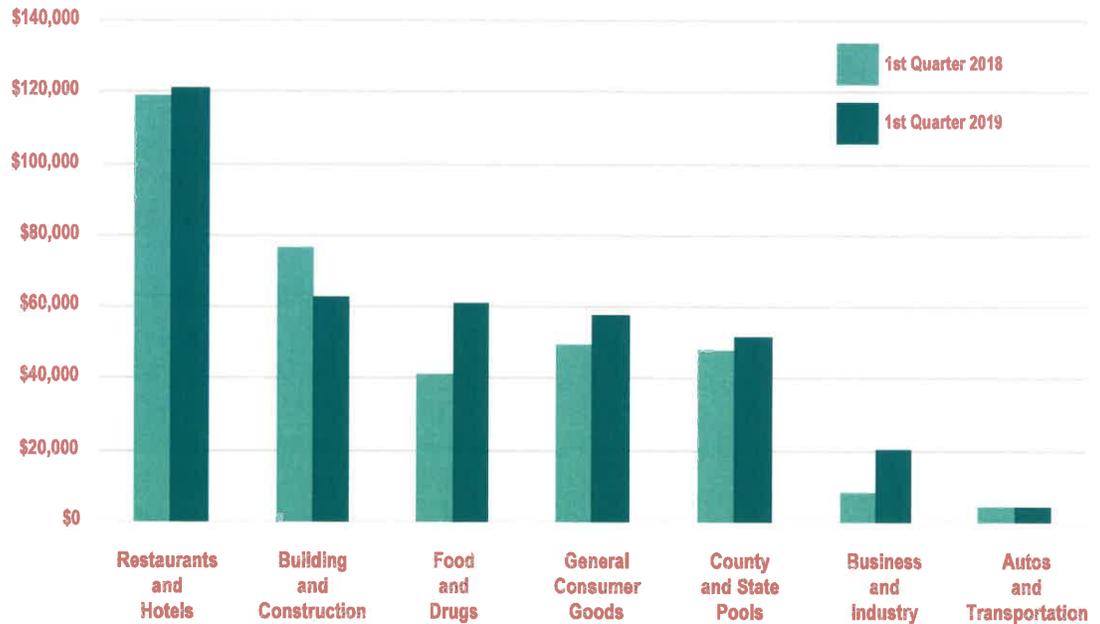
Slowing sales in building materials and a misallocation in contractors resulted in steep declines in the building and construction group.

Voter approved Measure U generated \$487,386 of revenue this quarter, also inflated by reporting irregularities.

Onetime payments and some reporting irregularities inflated results in the Monterey countywide pool. The City's pool allocation increased by 8.1% due to the irregularities.

Net of aberrations, taxable sales for all of Monterey County declined 2.0% over the comparable time period; the Central Coast region was down 2.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Mum's Place
Aqua Terra Culinary	One Stop Chevron Gas & Food Mart
Asilomar Conference Center	PG 89 Smog & Auto Repair
Audio Visual Services Group	Pacific Grove Shell
Beach House at Lovers Point	Passionfish
Cork N Bottle	Pebble Beach Market
Fandango	Pendleton Woolen Mills
First Awakenings	Peppers Mexicali Cafe
Forest Hill Shell	Rite Aid
Hayward Lumber	Safeway
Il Vecchio	Semaconnect
La Creme Monterey	Trader Joes
Lucky	

REVENUE COMPARISON

Three Quarters -- Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$1,092,634	\$1,167,605
County Pool	148,794	161,605
State Pool	694	606
Gross Receipts	\$1,242,123	\$1,329,816
Measure U	\$1,463,418	\$1,724,541

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



**COUNTY OVERALL
1Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	8.9%	-3.6%
Building and Construction	2.2%	-1.8%
Business and Industry	72.9%	-2.8%
Food and Drugs	21.2%	2.3%
Fuel and Service Stations	91.2%	-10.9%
General Consumer Goods	8.0%	-4.1%
Restaurants and Hotels	9.0%	1.5%
County and State Pools	18.2%	4.2%
Total	22.8%	-2.0%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP

Pacific Grove This Quarter

