CITY OF MONTEREY
SALES TAX UPDATE
1Q 2021 (JANUARY - MARCH)

SALES TAX BY MAJOR BUSINESS GROUP

Legend
- Q1 2020*
- Q1 2021*

<table>
<thead>
<tr>
<th>Business Group</th>
<th>1Q 2020*</th>
<th>1Q 2021*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants and Hotels</td>
<td>$300,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>General Consumer Goods</td>
<td>$200,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>County and State Pools</td>
<td>$100,000</td>
<td>$100,000</td>
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<tr>
<td>Autos and Transportation</td>
<td>$100,000</td>
<td>$100,000</td>
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<tr>
<td>Food and Drugs</td>
<td>$100,000</td>
<td>$100,000</td>
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<tr>
<td>Fuel and Service Stations</td>
<td>$100,000</td>
<td>$100,000</td>
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<tr>
<td>Business and Industry</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>$100,000</td>
<td>$100,000</td>
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</tbody>
</table>

*Allocation aberrations have been adjusted to reflect sales activity

TOTAL: $1,319,839
- 17.6% 1Q 2021
5.2% COUNTY
9.5% STATE

CITY OF MONTEREY HIGHLIGHTS

Monterey's receipts from January through March were 15.3% above the first sales period in 2020. Excluding reporting aberrations, actual sales were down 17.6%.

Overall receipts reflect the effects of the second shelter in place that was active until the end of January. Casual dining was down almost 28% and hotels were down 83%. The flat results in general consumer goods were due to a mixed bag results; some stores were still temporarily closed, but several new outlets opened up. Service station declines were stronger than the statewide average.

The bright spot was the growth in the building-construction group from the home improvement trend. E-commerce spending didn’t slow down, even after accounting for expected change in taxpayer return filing that pulled some use taxes out of the countywide pool, although the City’s portion of the pool declined due to the decline in the point of sale receipts.

Voter approved Measures P&S and G were also boost by the strong online sales as well as the surge in new motor vehicle sales. Net of aberrations, taxable sales for all of Monterey County grew 5.2% over the comparable time period; the Central Coast region was up 9.7%.

TOP 25 PRODUCERS

7 Eleven
Apple
AT&T Mobility
Chevron
Chipotle
CVS Pharmacy
Daimler Trust
Edges Electrical Group
Fish Hopper
Lallapalooza
M & S Building Supply
Macys
McDonalds
Mercedes Benz of Monterey
Mobil Station
Monterey Plaza
Neptune Oil
Old Fishermans Grotto
Petro
Quik Stop
Rite Aid
Scales Gift Shop
Trader Joes
Victoria's Secret
Whole Foods Market

Published by HdL Companies in Summer 2021
The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor’s first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV’s, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions.

Changes in business structure required a taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online. Although indoor dining was available in many counties, the recovery for restaurants and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.