CITY OF MONTEREY
SALES TAX UPDATE
3Q 2022 (JULY - SEPTEMBER)

Monterey’s receipts from July through September were 12.7% above the third sales period in 2021. Results were nearly identical at +12.5% after reporting adjustments were excluded.

The start of the new fiscal year looks promising as nearly all of the major business groups continued to add to the sales momentum that began during the spring of 2021.

The exception to this is general consumer goods whose total still lags that of the last fiscal year before the pandemic began. Results for the group were mixed this period, but it must be considered that at this time last year, consumers were not faced with runaway gas prices and general inflation. Instead, they had lots of savings and state/federal stimulus funds in their wallets.

The City’s two sales tax measures each gained more than 9% this period, despite fewer new cars purchased compared to last year’s 25% surge.

Net of adjustments, taxable sales for all of Monterey County grew 8.3% over the comparable time period while those of the Central Coast region were up 7.2%.

Measure P&S
TOTAL: $3,140,064
↑ 9.3%

Measure G
TOTAL: $1,570,005
↑ 9.3%

CITY OF MONTEREY HIGHLIGHTS

TOP 25 PRODUCERS

After The Quake
Alvarado Street Brewery & Grill
Apple
Bubba Gump Shrimp
Chevron
CVS Pharmacy
Del Monte 76
Edges Electrical Group
Fish Hopper
Hyatt Monterey
Intercontinental
Lalla Grill
Lalla Oceanside Grill
Macy’s
Mecum Auction

Mercedes Benz of Monterey
Mobil Station
Monterey Bay Aquarium
Monterey Marriott
Monterey Plaza
Old Fishermans Grotto
Perry House
Portola Hotel & Spa
RM Sothebys
Whole Foods Market

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Published by Hdl Companies in Winter 2023
STATEWIDE RESULTS

Local one cent sales and use tax for sales occurring July through September was 8% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These returns mark another strong period of growth for the California spending economy.

Even as the Federal Reserve Board continued ramping up interest rates in an effort to curb the larger concern of inflation, consumers maintained purchases on multiple fronts, especially automobiles. Surprisingly, new car dealers experienced 10% gains over the comparable period in 2021. Limited inventory and demand for higher mileage vehicles including electric and hybrid models helped support growth. In addition, the increased cost of used vehicles has pushed many into the new vehicle market; in contrast, sales of recreation vehicles and auto leasing activity remained soft.

For Californians, the summer of 2022 had the highest gas prices on record; subsequently fuel and service stations receipts jumped 21%. Commuters and summer travel remained steady, yet overall consumption still trails pre-pandemic levels by approximately 13%. Although the Russia-Ukraine conflict initially caused a dramatic shift in global crude oil markets, prices have begun to pull back closer to historical norms.

Restaurants experienced a strong uptick as increased menu prices, consistent desire to dine out and strong tourism contributed to this favorable news. Just as important, theme parks, leisure-entertainment venues and hotels pushed positive momentum back to 2019 levels. With tightening profit margins and sustained labor concerns, future improvement could be slowed compared to the last two years.

Busy contractors and plumbing-electrical suppliers boosted the building-construction sector. Solid residential and commercial housing prices persisted despite recent interest rate hikes. Tenant improvements further support spending activity as businesses assess future office needs. With statewide new housing requirements and federal infrastructure funding on the horizon, current forecasts stay optimistic.

Steady investment in capital equipment coupled with the overall increased price of goods enhanced both business-industry and countywide use tax pool allocations.

For the second straight quarter, fuel sales linked to discount department stores propped up general consumer goods results. Otherwise, retailers experienced flat to decreased receipts as many apparel categories, home furnishings and sporting goods struggled to keep pace with the prior year. As consumers balanced summer opportunities and higher prices, in-store shopping appears to have taken a temporary back seat.

Sustained price increases and interest rate hikes certainly have consumers contemplating where to spend their dollars. However, historically low statewide unemployment rates and the recovery of the national stock markets from declines earlier this year leave modest optimism heading into 2023.

REVENUE BY BUSINESS GROUP

Monterey This Quarter*

![Revenue Pie Chart]

*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

<table>
<thead>
<tr>
<th>Monterey Business Type</th>
<th>Q3 ’22*</th>
<th>Change</th>
<th>County Change</th>
<th>HdL State Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casual Dining</td>
<td>563.5</td>
<td>7.2%</td>
<td>5.2%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Service Stations</td>
<td>177.7</td>
<td>12.4%</td>
<td>22.4%</td>
<td>18.6%</td>
</tr>
<tr>
<td>Hotels/Motels</td>
<td>170.3</td>
<td>35.9%</td>
<td>18.4%</td>
<td>43.8%</td>
</tr>
<tr>
<td>Leisure/Entertainment</td>
<td>124.6</td>
<td>25.4%</td>
<td>18.9%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Electronics/Appliance Stores</td>
<td>91.8</td>
<td>31.3%</td>
<td>-2.5%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Quick-Service Restaurants</td>
<td>85.8</td>
<td>8.0%</td>
<td>6.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Family Apparel</td>
<td>60.5</td>
<td>-1.3%</td>
<td>-2.5%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Fine Dining</td>
<td>57.5</td>
<td>20.4%</td>
<td>2.6%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Specialty Stores</td>
<td>56.8</td>
<td>-0.7%</td>
<td>6.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Drug Stores</td>
<td>48.1</td>
<td>-0.6%</td>
<td>-1.3%</td>
<td>-1.9%</td>
</tr>
</tbody>
</table>

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars