CITY OF MONTEREY
SALES TAX UPDATE
1Q 2023 (JANUARY - MARCH)

SALES TAX BY MAJOR BUSINESS GROUP

*Allocation aberrations have been adjusted to reflect activity

<table>
<thead>
<tr>
<th>Business Group</th>
<th>Q1 2022*</th>
<th>Q1 2023*</th>
<th>Change</th>
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<tbody>
<tr>
<td>Restaurants and Hotels</td>
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<td>General Consumer Goods</td>
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<td>County and State Pools</td>
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<td>Fuel and Service Stations</td>
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<td>Autos and Transportation</td>
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<td>Business and Industry</td>
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<td>Food and Drugs</td>
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<tr>
<td>Building and Construction</td>
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</table>

Legend

- $0 - $100,000
- $100,000 - $200,000
- $200,000 - $300,000
- $300,000 - $400,000
- $400,000 - $500,000
- $500,000 - $600,000
- $600,000 - $700,000
- $700,000 - $800,000

MONTEREY
TOTAL: $ 1,975,958
1Q2023 1.8% COUNTY
-1.8% STATE 

MEASURE P&S
TOTAL: $2,560,485
1.7% 

MEASURE G
TOTAL: $1,280,198
1.7% 

CITY OF MONTEREY HIGHLIGHTS

Monterey’s receipts from January through March were 1.4% below the first sales period in 2022. Excluding reporting aberrations, actual sales were up 1.8%.

Interest in eating out has led to modest gains for the restaurant-hotels category from hotel/motels, fine dining, and leisure/entertainment establishments. State and county pools, the City’s third largest income classification, was positive posting a 5.2% return.

The business-industry sector had strong earnings from electrical equipment and medical/biotech vendors. Furthermore, building-construction had outstanding revenue from contractors as they continue to be in demand.

General consumer goods saw weak gross receipts at department stores and home furnishing retailers. Falling fuel prices which peaked in 2022 continue to compress service station profits.

The autos-transportation group saw negative returns from auto repair shops. Likewise, the food-drug category had declining collections from drug stores and convenience/liquor markets.

The City’s Measures P&S and G, which were voter approved transaction taxes, both posted optimistic returns.

Net of aberrations, taxable sales for the Central Coast region declined 3.6% over the comparison period.

TOP 25 PRODUCERS

76
Alvarado Street Brewery & Grill
Apple
AT&T Mobility
Bubba Gump Shrimp
Chevron
CVS Pharmacy
Edges Electrical Group
Fish Hopper
Hyatt Monterey
Lalla Grill
M & S Building Supply
Macy’s
Mercedes Benz of Monterey
Mobil Station
Monterey Bay Aquarium
Monterey Marriott
Monterey Plaza
Old Fishermans Grotto
Portola Hotel & Spa
Rosine’s
Sapporo Japanese Steak & Sushi House
Sephora
Trader Joes
Whole Foods Market
California’s local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (Y.O.Y.) lumber price declines, the sector saw a 9.7% statewide drop.

Y.O.Y. declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC’s recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods’ returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve’s actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.