SALES TAX UPDATE
2Q 2023 (APRIL - JUNE)

MONTEREY
TOTAL: $2,428,982
-2.9% 2Q2023
COUNTY -3.7%
STATE -3.0%

SALES TAX BY MAJOR BUSINESS GROUP

Legend
$0
$200,000
$400,000
$600,000
$800,000
$1,000,000

SALES TAX UPDATE
CITY OF MONTEREY

Monterey’s receipts from April through June were 0.4% below the second sales period in 2022. Excluding reporting adjustments, including late payments, receipts for this period were down 2.9%.

This period’s falling gas prices joined a shrinking countywide use tax pool to bring the largest declines this period. Fuel prices will soon be on the rise again while the pool should remain relatively stable.

Fine dining venues and those co-located at hotels and golf course facilities reported less patronage this quarter. Food and drug sales at existing locations were also lower this period, with the prior closure of one location further cutting the receipt total.

There were gains this period and they included a surprising increase in construction spending while B-T-B spending on equipment and supplies remained strong, lifting business-industry group receipts.

The City’s two tax measures reported results similar to those described above, but saw more growth in B-T-B equipment and supply purchases.

Net of adjustments, taxable sales for all of Monterey County declined 3.7% over the comparable time period while those of the Central Coast region were down 1.7%.

Measure P&S
TOTAL: $3,048,507
0.8%

Measure G
TOTAL: $1,524,481
0.8%

CITY OF MONTEREY HIGHLIGHTS

TOP 25 PRODUCERS

76
After The Quake
Alliance Mart
Alvarado Street Brewery & Grill
Apple
Bubba Gump Shrimp
Chevron
CVS Pharmacy
Edges Electrical Group
Fish Hopper
Hyatt Monterey
Kona Steak And Seafood
Macy’s
Mercedes Benz of Monterey
Mobil Station
Monterey Bay Aquarium
Monterey Marriott
Monterey Plaza
Old Fishermans Grotto
Perry House
Philips Medical Systems
Portola Hotel & Spa
Sapporo Japanese Steak & Sushi House
Sephora
Whole Foods Market
STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled with elevated overall financing costs remain challenges going forward.

Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

### REVENUE BY BUSINESS GROUP

**Monterey This Fiscal Year**

<table>
<thead>
<tr>
<th>Business Group</th>
<th>Monterey Q2 '23</th>
<th>Change</th>
<th>County Change</th>
<th>Hdl. State Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casual Dining</td>
<td>520.3</td>
<td>1.4%</td>
<td>1.2%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Hotels/Motels</td>
<td>157.1</td>
<td>-8.4%</td>
<td>-4.9%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Service Stations</td>
<td>151.7</td>
<td>-19.9%</td>
<td>-17.4%</td>
<td>-19.9%</td>
</tr>
<tr>
<td>Leisure/Entertainment</td>
<td>110.6</td>
<td>-4.0%</td>
<td>-3.9%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Quick-Service Restaurants</td>
<td>83.1</td>
<td>5.5%</td>
<td>2.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Electronics/Appliance Stores</td>
<td>81.7</td>
<td>9.0%</td>
<td>-7.0%</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Family Apparel</td>
<td>62.9</td>
<td>-3.1%</td>
<td>-3.1%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Specialty Stores</td>
<td>58.0</td>
<td>5.8%</td>
<td>-1.8%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Grocery Stores</td>
<td>51.6</td>
<td>12.0%</td>
<td>5.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Fine Dining</td>
<td>51.0</td>
<td>-2.9%</td>
<td>-9.0%</td>
<td>-5.2%</td>
</tr>
</tbody>
</table>

*Allocation aberrations have been adjusted to reflect sales activity*  
*In thousands of dollars*