

Q4 2013



City of Carmel Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

Carmel In Brief

Receipts for Carmel's October through December sales were 17.1% higher than the same quarter one year ago. Actual sales activity was up 12.4% when reporting aberrations were factored out.

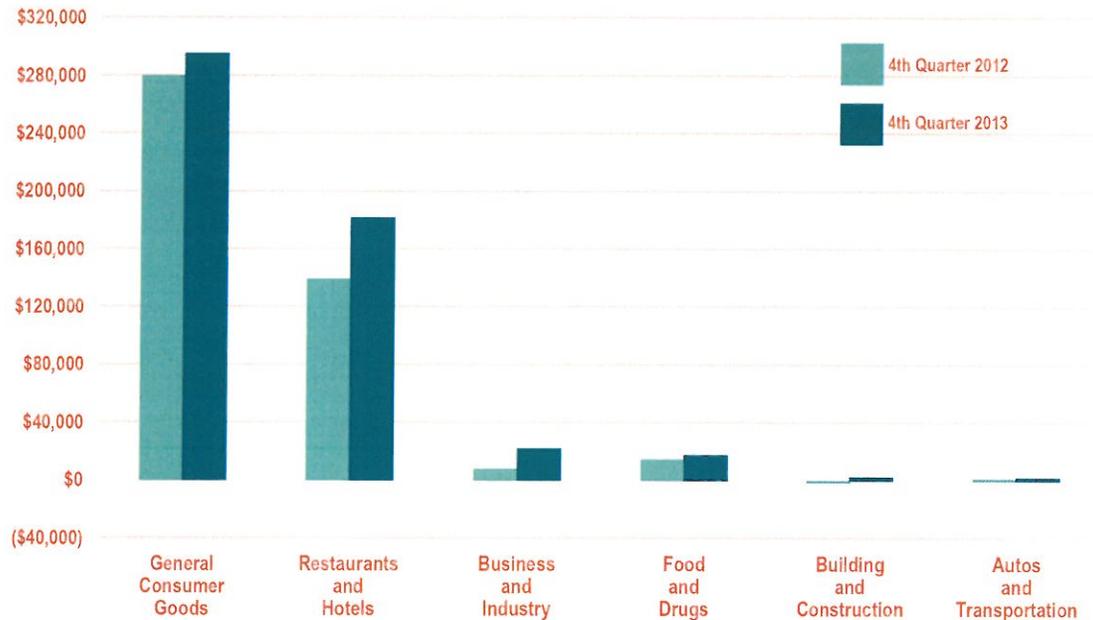
General consumer goods experienced a strong holiday season from home furnishings, jewelry, art/gift stores and specialty merchants. The restaurant group posted higher receipts; however, the results were inflated by payment anomalies in both the current and comparison quarter for casual and fine dining eateries.

Accounting adjustments were largely responsible for the gains from wineries and business services, while returns from building-construction suppliers were exaggerated by a payment aberration in the prior year.

A 16.6% increase in the city share of the countywide use tax pool allocation also contributed to the overall positive outcome.

Adjusted for aberrations, taxable sales for all of Monterey County increased 4.8% over the comparable time period, while the Central Coast region as a whole was down 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Anthropologie	Fourtane Estate Jewelers
Auberge	Galante Family Winery
Augustina Leathers	Girl Boy Girl
Caffe Napoli	Grasings Coastal Cuisine
Cantinetta Luca	Il Fornaio
Carmel Bay Company	J Crew
Carmel Shell	J Lawrence Khakis
Casanova Restaurant	La Bicyclette
Coach	Lloyds Shoes
Cypress Coast Properties	Merlot Bistro
Dametra Cafe	Quail Lodge
Flahertys Seafood Grill & Oyster Bar	Sur La Table
	Tiffany & Company

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$1,420,068	\$1,582,131
County Pool	154,995	178,384
State Pool	576	913
Gross Receipts	\$1,575,639	\$1,761,428
Less Triple Flip*	\$(393,910)	\$(440,357)

*Reimbursed from county compensation fund

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Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

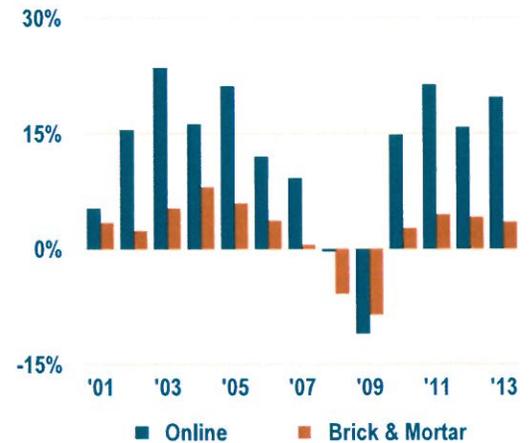
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

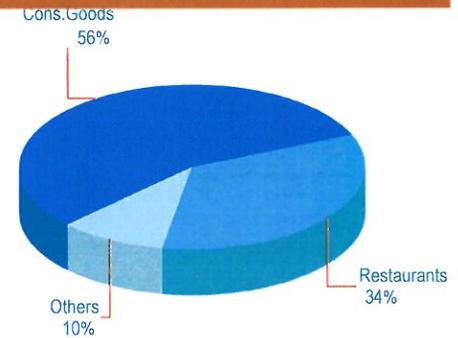
ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP

Carmel This Quarter



CARMEL TOP 15 BUSINESS TYPES

Business Type	Carmel		County	HdL State
	Q4 '13	Change	Change	Change
Art/Gift/Novelty Stores	54,116	21.8%	19.0%	8.4%
Business Services	6,704	45.0%	10.1%	8.7%
Casual Dining	104,526	20.4%	6.0%	6.1%
Family Apparel	45,761	-7.2%	7.6%	6.8%
Fine Dining	51,083	26.1%	14.2%	15.2%
Home Furnishings	22,965	26.5%	-1.8%	8.0%
Hotels-Liquor	— CONFIDENTIAL —		4.2%	29.1%
Jewelry Stores	53,644	4.5%	20.3%	8.7%
Men's Apparel	— CONFIDENTIAL —		-12.2%	3.0%
Package Liquor Stores	6,428	48.3%	10.2%	6.8%
Service Stations	— CONFIDENTIAL —		-0.2%	-2.7%
Shoe Stores	13,624	16.8%	2.2%	5.8%
Specialty Stores	28,433	23.2%	9.6%	7.5%
Wineries	12,898	655.7%	12.6%	11.6%
Women's Apparel	53,740	-12.5%	-3.4%	2.6%
Total All Accounts	\$529,379	17.2%	8.4%	8.7%
County & State Pool Allocation	\$63,359	16.6%	7.8%	9.4%
Gross Receipts	\$592,738	17.1%	8.3%	8.8%