

Q2 2020



City of Carmel Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Carmel In Brief

Carmel's receipts from April through June were 18.6% below the second sales period in 2019, inflated by payments deferred from previous quarters. Excluding reporting aberrations, actual sales were down 51.2%.

Second quarter 2020 was the economic bottoming out from the COVID-19 pandemic. Fewer tourist and capacity limits had a profound negative impact on casual and fine dining eateries as well as hotels. With doors closed for all but a few essential businesses, general consumer goods categories reported significant declines in tax revenues; jewelry, novelty and womens apparel stores saw the largest declines.

There were a couple of bright spots, wineries were boosted by the opening of a new outlet and the growth in the countywide pool allocation from an increase in online sales helped to mitigate some the point of sale losses.

The voter-approved transaction tax, Measure D generated \$357,267, the negative effects of the pandemic causing the large drop in revenues.

Net of aberrations, taxable sales for all of Monterey County declined 22.5% over the comparable time period; the Central Coast region was down 17.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Anthropologie	Kori Wines
Brunos Market & Delicatessen	La Bicyclette
Caffe Napoli	La Playa Hotel
Carmel Belle	L'Auberge Carmel
Carmel Classics	Mad Dogs & Englishmen
Carmel Shell	Nielsen Bros Market
Cultura Comida Y Bebida	Portabella Mediterranean
Dametra Cafe	Surf & Sand
Flahertys Seafood Grill & Oyster Bar	Talbott Winery
Fourtane Estate Jewelers	Tiffany & Co
Girl Boy Girl	Tommys Wok
Grasings Coastal Cuisine	William A Karges Fine Art
	Winfield Gallery

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$2,359,050	\$1,822,188
County Pool	331,513	340,528
State Pool	1,177	886
Gross Receipts	\$2,691,740	\$2,163,602
Measure D	\$3,143,294	\$2,626,522

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

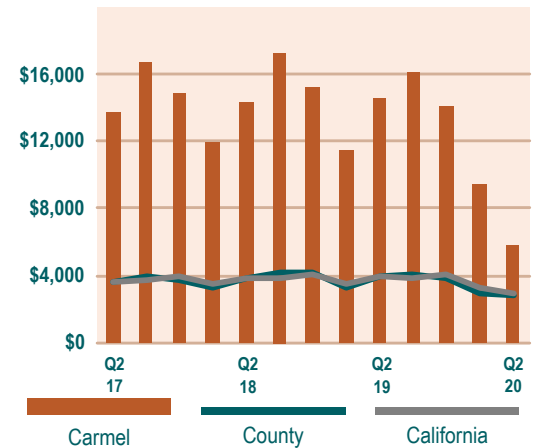
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

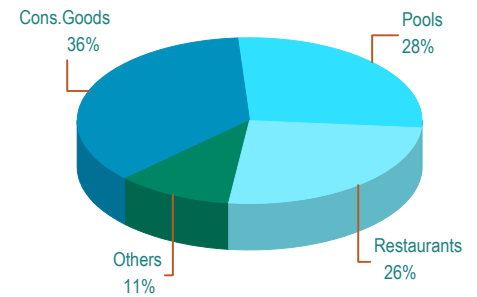
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP Carmel This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

CARMEL TOP 15 BUSINESS TYPES**

Business Type	Carmel		County	HdL State
	Q2 '20	Change	Change	Change
Art/Gift/Novelty Stores	24,894	-45.1%	-51.6%	-53.0%
Casual Dining	59,476	-61.0%	-57.0%	-53.2%
Convenience Stores/Liquor	4,711	-9.3%	5.9%	8.4%
Family Apparel	11,324	-76.6%	-64.8%	-66.3%
Fine Dining	12,285	-80.6%	-76.8%	-64.0%
Grocery Stores	— CONFIDENTIAL —	—	4.2%	7.8%
Home Furnishings	6,215	-69.3%	-48.3%	-41.7%
Hotels-Liquor	5,749	-75.2%	-91.6%	-80.1%
Jewelry Stores	25,459	-50.7%	-56.2%	-59.1%
Service Stations	— CONFIDENTIAL —	—	-40.7%	-45.2%
Shoe Stores	5,818	-67.4%	-58.0%	-59.2%
Specialty Stores	7,989	-67.1%	-41.4%	-36.2%
Sporting Goods/Bike Stores	— CONFIDENTIAL —	—	-26.6%	-11.0%
Wineries	13,579	25.5%	-32.4%	-25.7%
Women's Apparel	18,986	-64.8%	-74.7%	-72.0%
Total All Accounts	228,725	-60.1%	-29.8%	-24.0%
County & State Pool Allocation	86,918	18.0%	27.5%	28.9%
Gross Receipts	315,643	-51.2%	-22.5%	-16.3%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.