

CITY OF CARMEL

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



CARMEL

TOTAL: \$ 603,600

-16.6%

3Q2020



-6.2%

COUNTY



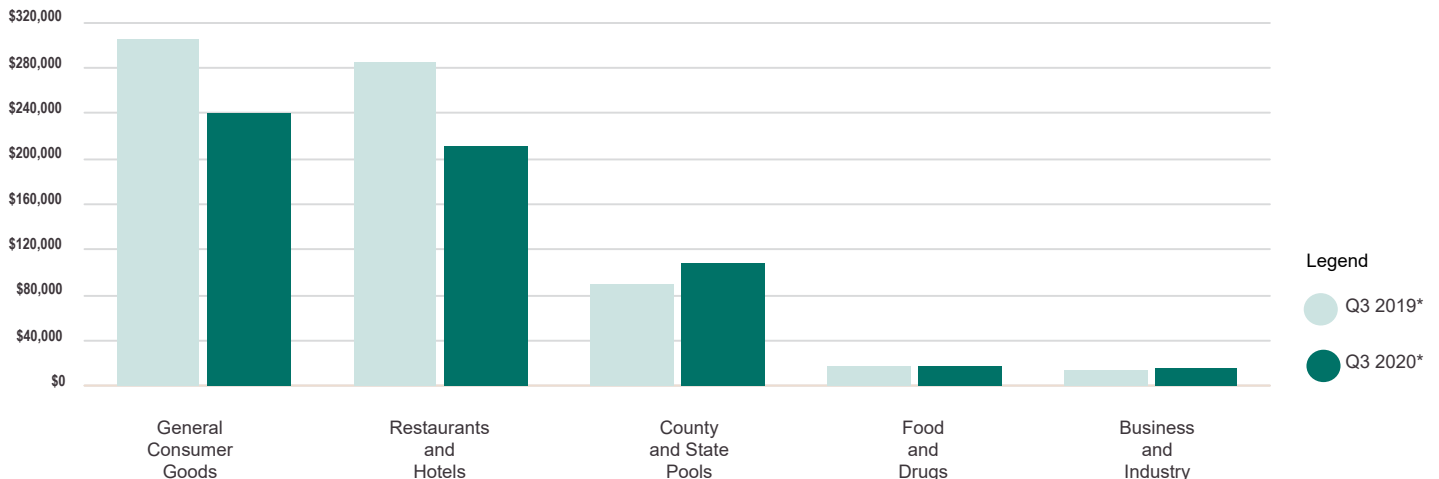
-1.0%

STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure C

TOTAL: \$993,708



CITY OF CARMEL HIGHLIGHTS

Carmel's receipts from July through September were 17.9% below the third sales period in 2019. Excluding late payments and other reporting adjustments, receipts for the quarter were down 16.6%.

Online sales within Monterey County, like all other areas of the state, have risen sharply since the onset of the pandemic. Because of this, the use tax pool swelled in size, raising the City's allocation by 20%. Without those dollars, the City's total receipts would have been 22% below the comparison period.

These conditions are expected to prevail at least through the end of the first

quarter of 2021 or until in-state travel and vacation patterns begin to return to normal. Until international travel is restored, the City will see an extended recovery period.

This is the first period of collections for Measure C so comparable data has been derived by converting the former Measure D to the new 1.5% rate. The results indicate a decline of 21%.

Net of adjustments and the pool allocations, taxable sales for all of Monterey County declined 12% over the comparable time period while those of the entire Central Coast region were down 7.5%.



TOP 25 PRODUCERS

- | | |
|--------------------------------------|------------------------------|
| Alvarado Street Brewery & Bistro | Grasings Coastal Cuisine |
| Anthropologie | Hogs Breath Inn |
| Anton & Michel Restaurant | J Lawrence Khakis |
| Caffe Napoli | La Bicyclette |
| Carmel Classics | La Playa Hotel |
| Carmel Shell | L'Auberge Carmel |
| Casanova Restaurant | Lloyds Shoes |
| Club | Pocket Carmel |
| Coach | Portabella Mediterranean |
| Dametra Cafe | Seventh & Dolores Restaurant |
| Flahertys Seafood Grill & Oyster Bar | Tiffany & Co |
| Fourtane Estate Jewelers | Treehouse Cafe |
| Girl Boy Girl | |



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last

year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up

of each jurisdiction's tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

SALES TAX RATE BREAKDOWN		9.25%
State General Fund		3.9375%
City/County General Fund (Bradley-Burns)		1.0000%
Carmel by the Seas 2020 Transactions Tax (CARC)		1.5000%
County Public Safety (Prop 172)		0.5000%
County Realignment (Mental Health/Welfare/Public Safety)		1.5625%
Countywide Transportation Fund		0.2500%
Monterey - Salinas MST Special Transit District (MSTD)		0.1250%
Monterey County Transportation Safety TT (MTSF)		0.3750%
Tax Rate Effective July 01, 2020		9.2500%

TOP NON-CONFIDENTIAL BUSINESS TYPES							
Carmel Business Type	Q3 '20	Change	County Change	HdL State Change			
Casual Dining	143,959	-19.4% ↓	-35.2% ↓	-38.0% ↓			
Jewelry Stores	51,761	-3.7% ↓	-13.2% ↓	3.9% ↑			
Fine Dining	42,595	-42.5% ↓	-56.4% ↓	-50.3% ↓			
Art/Gift/Novelty Stores	42,090	-7.1% ↓	-13.4% ↓	-20.1% ↓			
Family Apparel	40,148	-32.5% ↓	-25.3% ↓	-24.5% ↓			
Women's Apparel	36,701	-37.5% ↓	-47.8% ↓	-47.7% ↓			
Specialty Stores	21,479	-21.1% ↓	-9.7% ↓	-8.8% ↓			
Hotels-Liquor	18,123	-21.3% ↓	-63.3% ↓	-74.7% ↓			
Home Furnishings	17,593	-7.9% ↓	-9.2% ↓	-3.7% ↓			
Wineries	14,356	16.6% ↑	-13.5% ↓	-3.2% ↓			

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