

# Q3 2017



# City of Martinez Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

## Martinez In Brief

Martinez's receipts from July through September were 5.7% above the third sales period in 2016. Excluding reporting aberrations, actual sales were down 2.5%.

Continual rising petroleum prices and a large accounting adjustment that depressed prior year results boosted the fuel group 25.6% and represented the largest cash gain for the quarter. Higher sales from existing vendors and the recent addition of a new supplier resulted in another strong quarter for building materials.

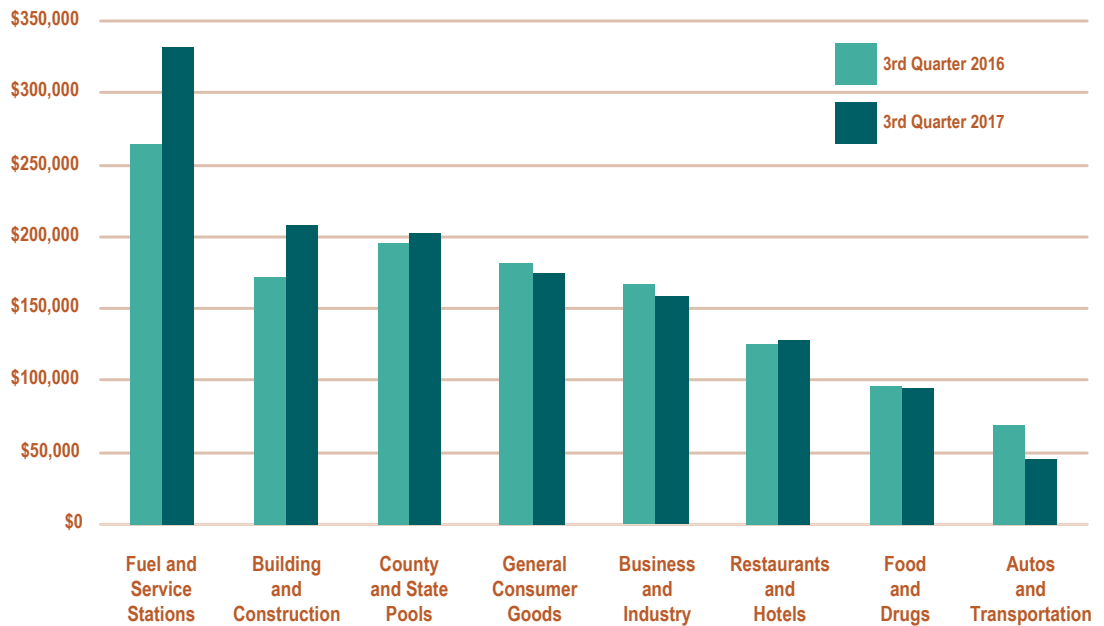
The City's allocation from the countywide pool increased a modest 2.9%, while restaurant sales were flat during the quarter.

The gains were partially offset by the prior loss of a used car dealer that severely impacted the automotive sector and overall net lower sales from the general retail group. Business and industry sales were sharply lower; however, a late payment from one vendor for prior quarter sales offset most the decline.

The recently voter-approved Measure D 1/2 cent transaction tax generated an additional \$898,005.

Net of aberrations, taxable sales for all of Contra Costa County grew 2.7% over the comparable time period; the Bay Area was up 3.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Golden Gate Petroleum
ABC Supply	Home Depot
Ace Truckbox Center	Industrial Lumber
Alhambra Chevron	Les Schwab Tire Center
Alhambra Shell	Lucky Supermarket
Build Tek	McDonalds
Canyon Sports	Muir Shell
Chevron	Nob Hill Foods
Colonial Energy	Quik Stop
Cresco Equipment Rentals	Safeway
CVS Pharmacy	Siemens Medical Solutions
Eco Services Operations	Walmart
Geo Options	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,188,865	\$2,234,290
County Pool	395,142	368,874
State Pool	785	346
Gross Receipts†	\$2,584,793	\$2,603,510
Cty/Cnty Share	(64,620)	(65,088)
Net Receipts	\$2,520,173	\$2,538,422
Measure D	\$0	\$1,732,078

†Includes tax sharing amounts due to others

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

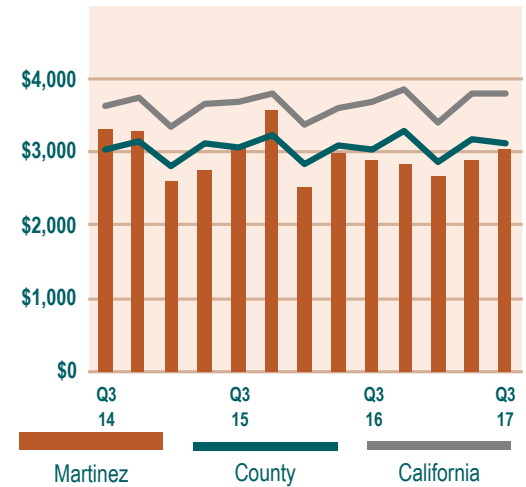
**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

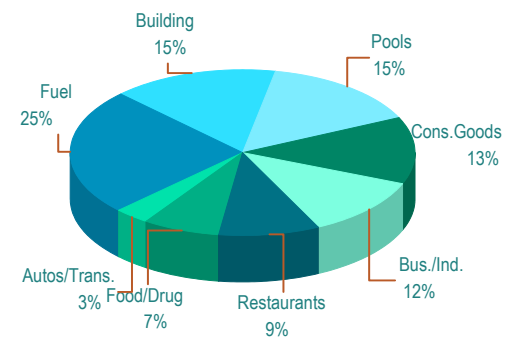
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Martinez This Quarter



**MARTINEZ TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Martinez Q3 '17*	Change	County Change	HdL State Change
Automotive Supply Stores	18.8	4.7%	3.5%	3.6%
Building Materials	183.0	27.0%	12.4%	5.6%
Casual Dining	54.6	3.9%	1.5%	2.2%
Contractors	24.4	-10.2%	16.2%	6.3%
Convenience Stores/Liquor	20.7	0.8%	15.5%	7.8%
Discount Dept Stores	— CONFIDENTIAL —	—	7.0%	6.1%
Drug Stores	— CONFIDENTIAL —	—	5.2%	7.3%
Drugs/Chemicals	— CONFIDENTIAL —	—	1.2%	-0.1%
Grocery Stores	— CONFIDENTIAL —	—	-1.1%	0.6%
Light Industrial/Printers	22.1	-29.8%	-17.0%	-4.0%
Medical/Biotech	— CONFIDENTIAL —	—	-9.2%	-0.2%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	1.2%	28.4%
Quick-Service Restaurants	62.8	4.9%	8.1%	4.8%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	11.9%	7.8%
Service Stations	141.1	3.7%	13.8%	9.2%
<b>Total All Accounts</b>	<b>1,143.5</b>	<b>6.2%</b>	<b>4.2%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>201.9</b>	<b>3.2%</b>	<b>1.3%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>1,345.4</b>	<b>5.7%</b>	<b>3.8%</b>	<b>4.2%</b>
City/County Share	(33.6)	-5.7%		
<b>Net Receipts</b>	<b>1,311.7</b>	<b>5.7%</b>		