

Q1 2018



City of Martinez Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Martinez In Brief

Martinez's receipts from January through March were 19.3% below the first sales period in 2017. Excluding a taxpayer refund that pulled down returns and other reporting aberrations, actual sales were up 0.8%.

Non-recurring adjustments spiked year ago receipts in the building and construction group. Building-related sectors outpaced regional trends once these onetime events were removed.

Business to business sales activity and the City's share of the county-wide use tax allocation pool were lower than last year.

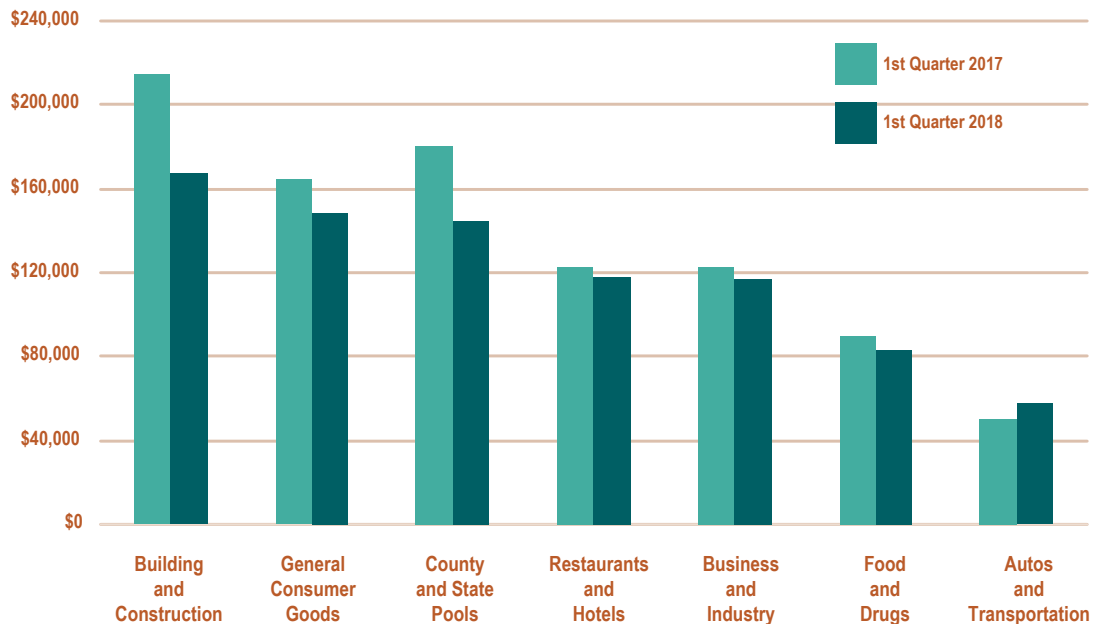
Missing payments due to the state's transition to a new software system adversely impacted general retail, restaurants and food-drugs. These allocations will be disbursed in a future quarter.

A recent opening contributed to the rise in autos and transportation.

Multiple deviations temporarily flattened receipts from Measure D the City's half cent transactions tax.

Net of aberrations, taxable sales for all of Contra Costa County grew 7.2% over the comparable time; the Bay Area was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply Co	Glaser & Associates
Abel West Auto Center	Golden Gate Petroleum
Ace Truckbox Center	Home Depot
Alhambra Chevron	Les Schwab Tire Center
Alhambra Shell	Lucky Supermarket
Build Tek	Main Jail Commissary
Canyon Sports	McDonalds
Chevron	Nob Hill Foods
Colonial Energy	Rite Aid
Copart	Safeway
Cresco Equipment Rentals	Siemens Medical Solutions
CVS Pharmacy	Walmart
Eco Services Operations	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$4,249,043	\$4,172,518
County Pool	777,766	708,667
State Pool	3,379	1,407
Gross Receipts†	\$5,030,188	\$4,882,592
Cty/Cnty Share	(125,755)	(122,065)
Net Receipts	\$4,904,433	\$4,760,528
Measure D	\$730	\$3,476,582

†Includes tax sharing amounts due to others

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

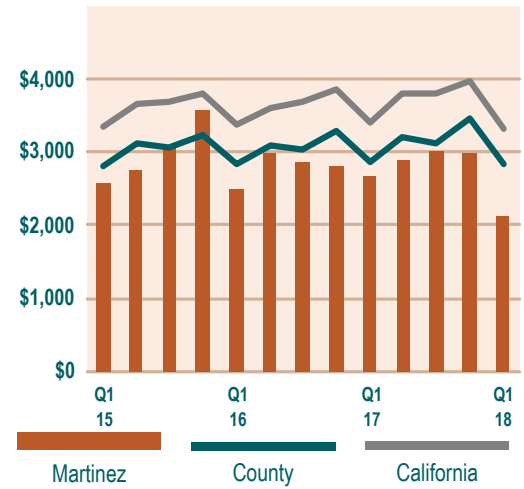
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

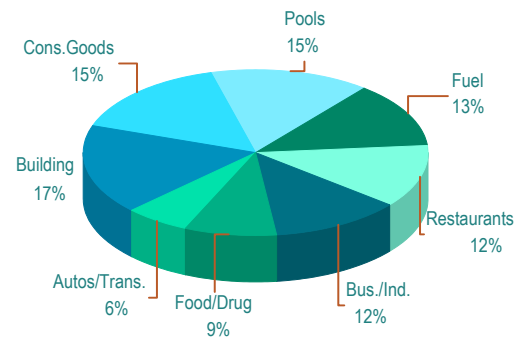
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Martinez This Quarter



MARTINEZ TOP 15 BUSINESS TYPES

Business Type	Martinez		County	HdL State
	Q1 '18	Change	Change	Change
Automotive Supply Stores	16,581	-1.1%	-0.7%	-4.0%
Building Materials	141,728	-12.6%	10.2%	3.8%
Casual Dining	46,417	-8.6%	-1.6%	-2.0%
Contractors	24,322	-52.6%	7.0%	21.6%
Discount Dept Stores	— CONFIDENTIAL —	—	1.2%	2.8%
Drug Stores	— CONFIDENTIAL —	—	-35.0%	-27.9%
Drugs/Chemicals	— CONFIDENTIAL —	—	-23.5%	4.5%
Grocery Stores	— CONFIDENTIAL —	—	-3.4%	1.9%
Heavy Industrial	15,659	224.3%	6.0%	10.6%
Light Industrial/Printers	20,283	0.2%	-5.7%	-12.2%
Medical/Biotech	14,377	-6.8%	-22.3%	10.0%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	8.0%	3.7%
Quick-Service Restaurants	58,641	0.6%	-7.5%	-3.8%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	-2.7%	-3.8%
Used Automotive Dealers	25,299	55.4%	-5.6%	-4.3%
Total All Accounts	813,641	-19.3%	-0.2%	-1.8%
County & State Pool Allocation	144,659	-19.6%	-0.7%	-2.1%
Gross Receipts	958,300	-19.3%	-0.3%	-1.8%
City/County Share	(23,957)	19.3%		
Net Receipts	934,342	-19.3%		