

# Q4 2018



# City of Martinez Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

## Martinez In Brief

Martinez's receipts from October through December were 9.6% below the fourth sales period in 2017. Excluding reporting aberrations, actual sales were flat.

The State continues to make progress in processing returns using the new reporting software. However, the wide disparity between cash receipts and actual sales stems from expected taxpayer payments that were not received in the current period which triggered the large declines from the fuel-service stations group.

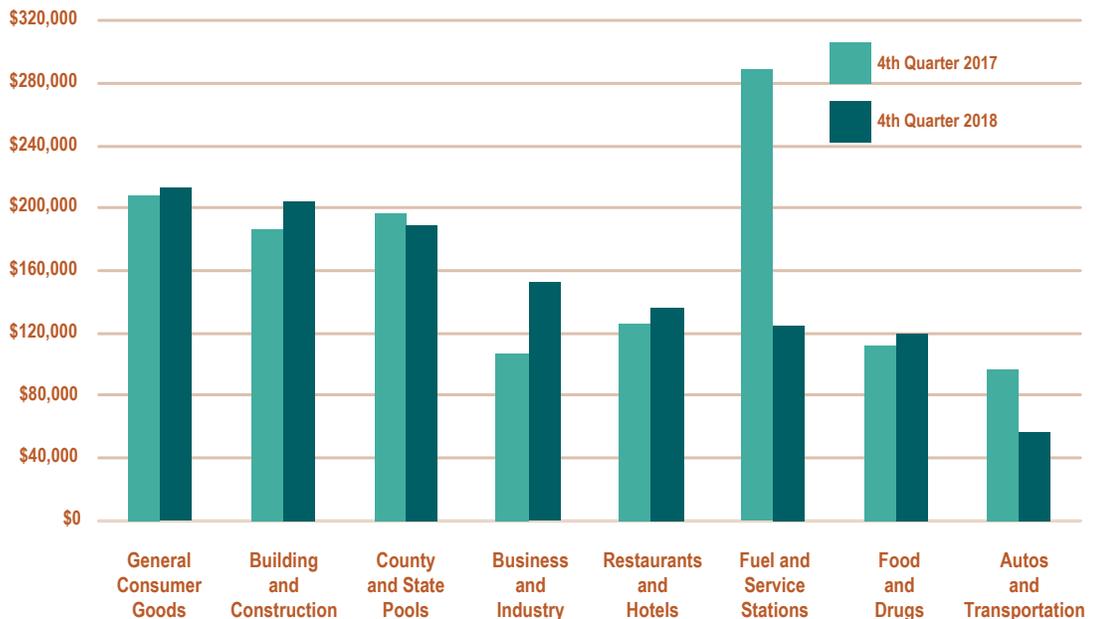
Further explanation of this receipts to economic activity variance included a year-ago multiple quarter correction in the used automobile dealers segment to properly allocate taxes due to the City.

Revenues from general consumer goods rose 3% inclusive of a doubled-up payment from specialty stores. Positive news came from contractors who recorded robust increases in sales when compared to the prior year quarter.

Measure D added \$968,246 beyond the amounts noted above; this source provided 1% growth in these locally approved transaction and use taxes.

Net of aberrations, taxable sales for all of Contra Costa County grew 2.2% over the comparable time period; the Bay Area was up 2.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply Co	Lucky Supermarket
Abel West Auto Center	Main Jail Commissary
Ace Truckbox Center	McDonalds
Alhambra Chevron	Nob Hill Foods
Alhambra Shell	Number One Concrete Ready Mix
Build Tek	
Chevron	Petco
Colonial Energy	Putzmeister
Cresco Equipment Rentals	Safeway
CVS Pharmacy	Siemens Medical Solutions
Eco Services Operations	Telfer Pavement Technologies
Home Depot	Walgreens
Les Schwab Tire Center	Walmart

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$2,268,081	\$2,281,238
County Pool	396,815	427,494
State Pool	1,259	1,192
Gross Receipts†	\$2,666,154	\$2,709,924
Cty/Cnty Share	(66,654)	(67,748)
<b>Net Receipts</b>	<b>\$2,599,501</b>	<b>\$2,642,176</b>
<b>Measure D</b>	<b>\$1,855,608</b>	<b>\$2,130,524</b>

†Includes tax sharing amounts due to others

**Statewide Results**

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

**The Retail Evolution Continues**

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

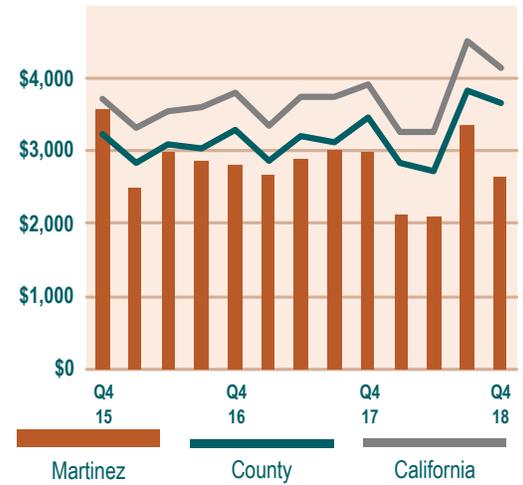
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

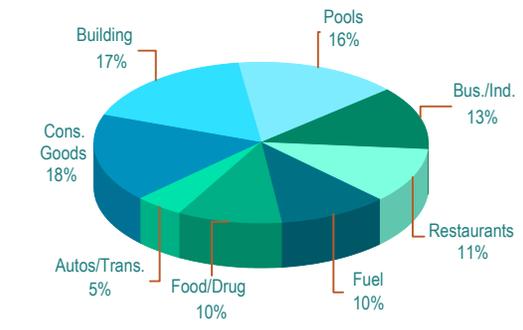
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Martinez This Quarter



**MARTINEZ TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Martinez Q4 '18*	Change	County Change	HdL State Change
Building Materials	162.7	-4.0%	0.4%	5.5%
Casual Dining	52.2	2.6%	0.4%	2.5%
Contractors	40.1	146.1%	12.0%	17.3%
Convenience Stores/Liquor	19.0	8.4%	-3.0%	2.1%
Discount Dept Stores	—	CONFIDENTIAL	3.7%	3.9%
Drug Stores	—	CONFIDENTIAL	27.2%	21.9%
Drugs/Chemicals	—	CONFIDENTIAL	21.9%	5.3%
Grocery Stores	—	CONFIDENTIAL	-7.1%	-11.7%
Light Industrial/Printers	—	CONFIDENTIAL	30.3%	9.1%
Medical/Biotech	—	CONFIDENTIAL	1.5%	25.9%
Quick-Service Restaurants	66.7	8.9%	7.1%	6.6%
Repair Shop/Equip. Rentals	—	CONFIDENTIAL	-8.0%	1.5%
Service Stations	125.1	5.4%	52.8%	28.5%
Specialty Stores	21.1	41.4%	-9.7%	-10.8%
Used Automotive Dealers	21.0	-66.7%	9.5%	5.6%
<b>Total All Accounts</b>	<b>1,005.5</b>	<b>-10.6%</b>	<b>7.0%</b>	<b>7.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>189.0</b>	<b>-3.7%</b>	<b>15.2%</b>	<b>8.6%</b>
<b>Gross Receipts</b>	<b>1,194.5</b>	<b>-9.6%</b>	<b>8.2%</b>	<b>7.2%</b>
City/County Share	(29.9)	9.6%		
<b>Net Receipts</b>	<b>1,164.6</b>	<b>-9.6%</b>		