

Q1 2019



City of Martinez Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Martinez In Brief

Martinez's receipts from January through March were 41.5% above the first sales period in 2018. Excluding reporting aberrations, actual sales were up 0.2%.

A combination of onetime adjustments and catch up payments related to the recent CDTFA software conversion accounted for the spike in gross receipts.

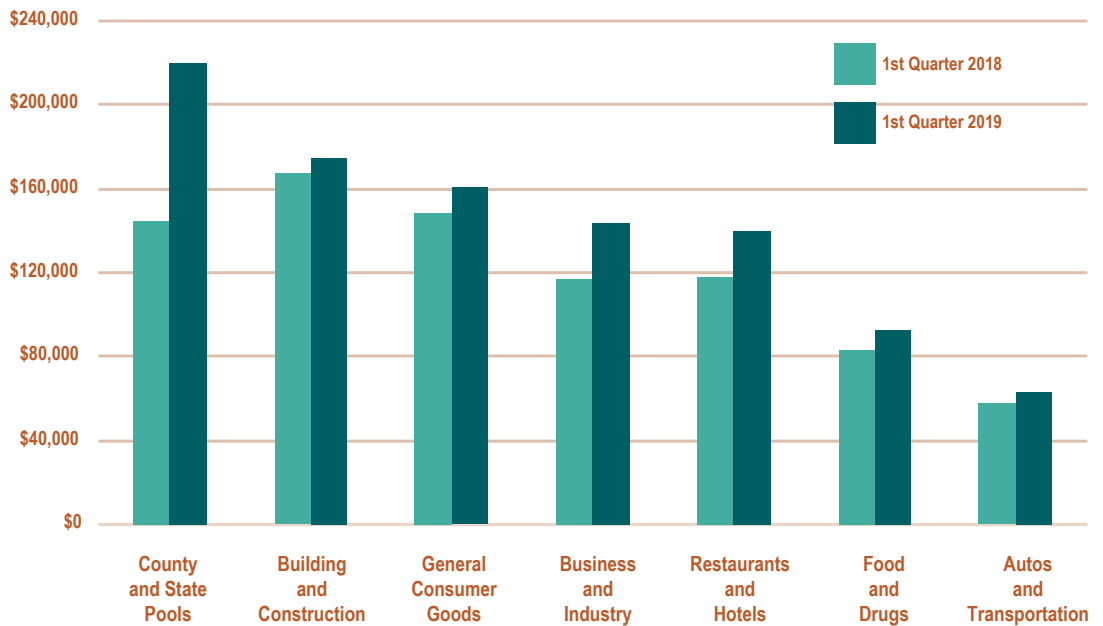
Similar issues overstated the rise in the countywide use tax allocation pool, food-drugs and restaurants, which also benefited from recent openings.

The actual 21.7% decline in business and industry was due to one-time use tax and unusually high performance in the comparison quarter.

Post-holiday retail fell 3.4% on an adjusted basis with lower results in sporting goods and electronics.

Net of aberrations, taxable sales for all of Contra Costa County declined 2.2% over the comparable time period; the Bay Area was down 0.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Eco Services Operations
ABC Supply Co	Golden Gate Petroleum
Ace Auto Dealers	Home Depot
Ace Truckbox Center	La Tapatia
Alhambra Chevron	Les Schwab Tire Center
Alhambra Shell	Lucky Supermarket
Build Tek	McDonalds
Canyon Sports	Nob Hill Foods
Chevron	Quik Stop Market
Colonial Energy	Safeway
Copart	Siemens Medical Solutions
Cresco Equipment Rentals	Walmart
CVS Pharmacy	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$3,081,722	\$3,416,757
County Pool	540,746	646,959
State Pool	1,986	1,859
Gross Receipts†	\$3,624,454	\$4,065,575
Cty/Cnty Share	(90,611)	(101,639)
Net Receipts	\$3,533,843	\$3,963,936
Measure D	\$2,642,509	\$2,976,985

†Includes tax sharing amounts due to others

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

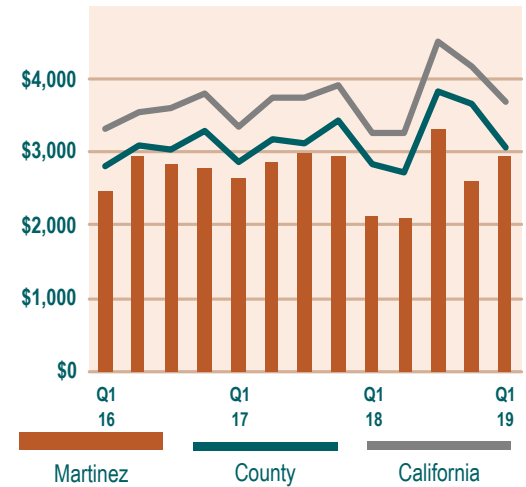
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

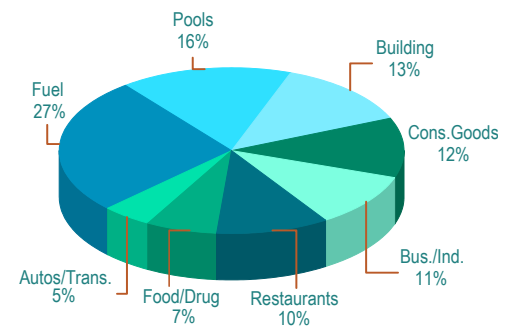
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Martinez This Quarter



MARTINEZ TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Martinez Q1 '19*	Change	County Change	HdL State Change
Automotive Supply Stores	17.1	3.0%	4.9%	8.7%
Building Materials	149.4	5.0%	-3.4%	4.0%
Casual Dining	59.4	29.5%	12.4%	13.3%
Contractors	24.5	3.2%	-6.7%	4.7%
Convenience Stores/Liquor	16.8	32.1%	41.7%	16.2%
Discount Dept Stores	—	CONFIDENTIAL	0.8%	2.9%
Drug Stores	—	CONFIDENTIAL	52.4%	37.8%
Drugs/Chemicals	—	CONFIDENTIAL	11.9%	5.7%
Grocery Stores	—	CONFIDENTIAL	12.0%	25.7%
Light Industrial/Printers	20.8	2.8%	20.4%	13.7%
Medical/Biotech	—	CONFIDENTIAL	29.4%	5.9%
Petroleum Prod/Equipment	—	CONFIDENTIAL	35.6%	18.3%
Quick-Service Restaurants	60.6	3.3%	11.5%	10.1%
Service Stations	—	CONFIDENTIAL	12.6%	15.8%
Used Automotive Dealers	29.0	14.7%	4.5%	13.4%
Total All Accounts	1,135.5	39.6%	8.7%	13.5%
County & State Pool Allocation	220.1	52.2%	18.5%	23.8%
Gross Receipts	1,355.7	41.5%	10.2%	14.9%
City/County Share	(33.9)	-41.5%		
Net Receipts	1,321.8	41.5%		