

# Q3 2019



# City of Martinez Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

## Martinez In Brief

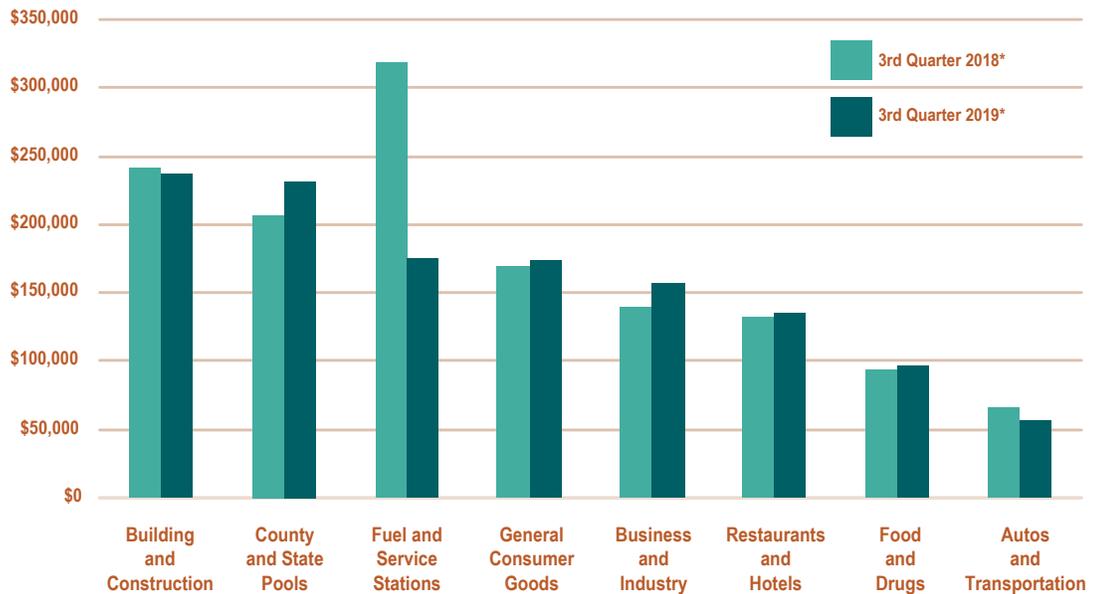
Martinez's allocation of sales and use tax from its July through September sales was 7.7% lower than the third quarter of 2018 after accounting aberrations are factored out.

The relocation of a point-of-sale within the fuel-service station group and a decline in used auto sales were the primary contributors to the overall decrease. The losses were partially offset by the acceleration in online shopping which is expanding receipts from the countywide use tax allocation pool and by a solid quarter for industrial equipment and supplies.

Voter approved Measures D and X added \$1,882,497 to the amounts discussed above. Revenues from Measure D were 6.1% higher than last year's comparable quarter with the major gains coming from purchases of contractor supplies and general consumer goods.

Adjusted for reporting aberrations, sales and use tax for all of Contra Costa County rose 1.4% over the comparable time period while the nine-county bay area as a whole, was down 0.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Home Depot
ABC Supply Co	Les Schwab Tire Center
Ace Auto Dealers	Lucky Supermarket
Ace Truckbox Center	Main Jail Commissary
Alhambra Chevron	McDonalds
Alhambra Shell	Nob Hill Foods
Baja Construction	Number One Concrete Ready Mix
Build Tek	Putzmeister
Chevron	Safeway
Colonial Energy	Siemens Medical Solutions
Cresco Equipment Rentals	Walmart
CVS Pharmacy	
Eco Services Operations	
Golden Gate Petroleum	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$1,275,729	\$1,127,403
County Pool	239,009	254,516
State Pool	685	473
Gross Receipts†	\$1,515,422	\$1,382,392
Cty/Cnty Share	(37,886)	(34,560)
<b>Net Receipts</b>	<b>\$1,477,537</b>	<b>\$1,347,832</b>
Measure D	\$1,162,277	\$987,837
Measure X	\$0	\$965,580

†Includes tax sharing amounts due to others

**Statewide Results**

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

**Additional Tax Districts Approved**

Voters approved eight of the nine sales

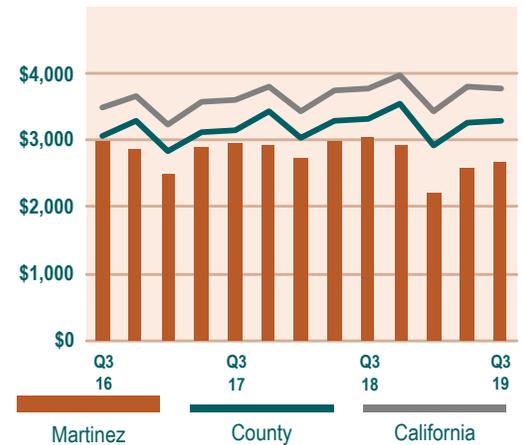
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

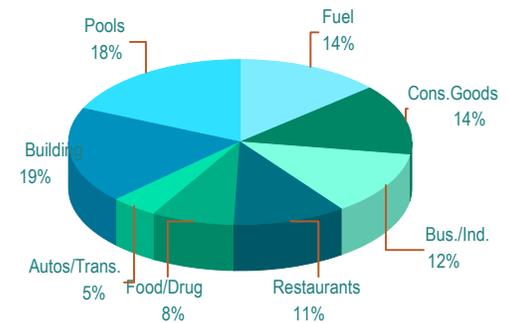
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP  
Martinez This Quarter\***



\*Allocation aberrations have been adjusted to reflect sales activity

**MARTINEZ TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Martinez Q3 '19*	Change	County Change	HdL State Change
Automotive Supply Stores	18.2	1.6%	4.9%	3.8%
Building Materials	189.9	2.6%	-2.3%	0.2%
Casual Dining	53.6	5.8%	4.6%	2.3%
Contractors	46.0	-15.6%	7.8%	2.5%
Convenience Stores/Liquor	18.6	1.1%	3.5%	1.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.3%	2.8%
Drug Stores	— CONFIDENTIAL —	—	-1.2%	-1.2%
Drugs/Chemicals	— CONFIDENTIAL —	—	45.0%	4.0%
Grocery Stores	— CONFIDENTIAL —	—	3.5%	1.7%
Light Industrial/Printers	18.0	-8.8%	-10.8%	2.2%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-27.3%	-3.4%
Quick-Service Restaurants	66.6	9.1%	2.6%	2.6%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	3.7%	2.0%
Service Stations	142.4	5.4%	-3.4%	-1.5%
Used Automotive Dealers	20.2	-32.2%	9.3%	2.1%
<b>Total All Accounts</b>	<b>1,031.8</b>	<b>-11.1%</b>	<b>-0.7%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>231.8</b>	<b>12.0%</b>	<b>12.8%</b>	<b>14.9%</b>
<b>Gross Receipts</b>	<b>1,263.6</b>	<b>-7.7%</b>	<b>1.4%</b>	<b>2.3%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.