

Q4 2019



City of Martinez Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Martinez In Brief

Martinez's receipts from October through December were 14.6% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 0.7%.

Once payment deviations were removed, fuel-related returns dropped 29.7%. A shift in ownership resulting in a decline in local allocations was a significant factor in the decline.

A retroactive adjustment which spiked returns in contractors accounted for the overall rise in the building and construction group.

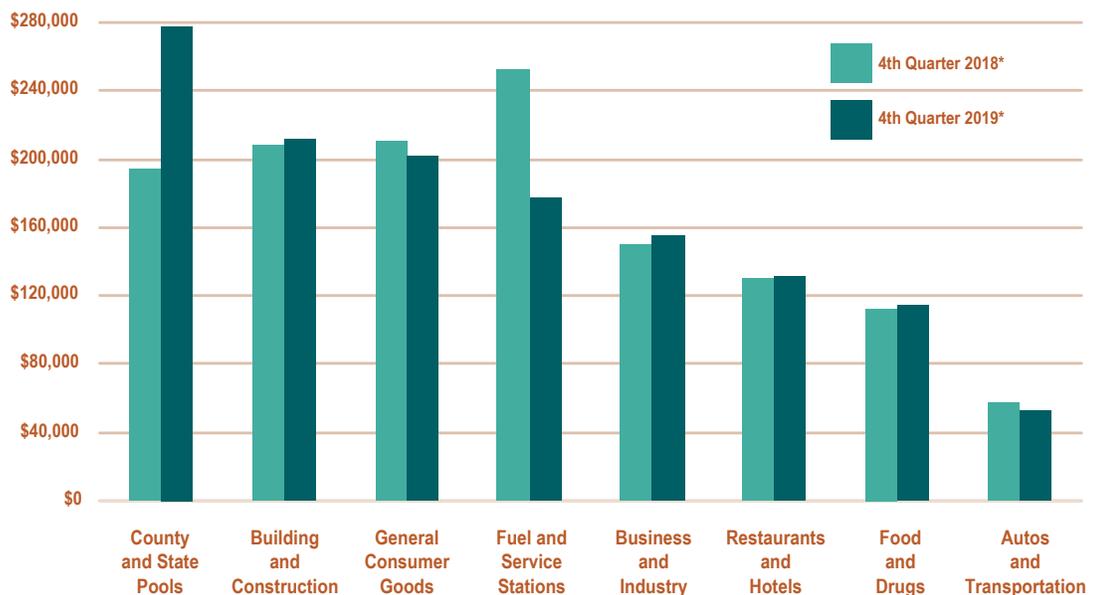
Holiday quarter consumer retail posted disappointing results while restaurants rose 1.2% on an actual basis. Business to business performance was curtailed by multiple reporting issues including a late disbursement.

Full implementation of the Wayfair decision including Marketplace Facilitators elevated the City's allocation from the countywide pool. The overall growth in gross receipts was due to this increase.

The City's two transaction tax districts generated an additional \$2,004,541. Receipts from the more recently approved Measure X boosted results.

Net of aberrations, taxable sales for all of Contra Costa County grew 3.9% over the comparable time period; the Bay Area was up 3.9%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Golden Gate Petroleum
ABC Supply Co	Home Depot
Ace Truckbox Center	Les Schwab Tire Center
Alhambra Chevron	Lucky Supermarket
Alhambra Shell	McDonalds
Build Tek	Nob Hill Foods
Chevron	Number One Concrete Ready Mix
Colonial Energy	Quik Stop
Cresco Equipment Rentals	Rosendin Electric
CVS Pharmacy	Safeway
Eco Services Operations	Siemens Medical Solutions
Euv Tech	Walmart
Gefco	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$2,281,238	\$2,216,340
County Pool	427,494	534,084
State Pool	1,192	1,044
Gross Receipts†	\$2,709,924	\$2,751,468
Cty/Cnty Share	(67,748)	(68,787)
Net Receipts	\$2,642,176	\$2,682,681
Measure D	\$2,130,524	\$1,995,905
Measure X	\$0	\$1,962,053

†Includes tax sharing amounts due to others

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

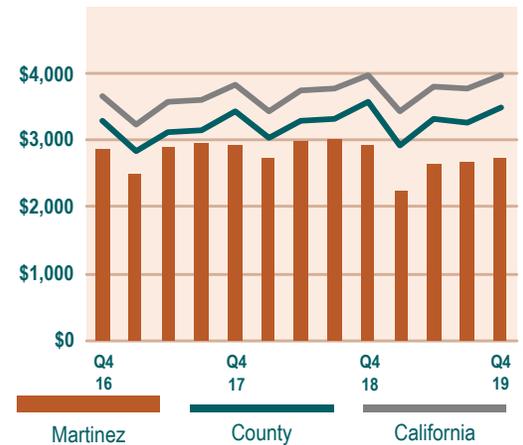
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

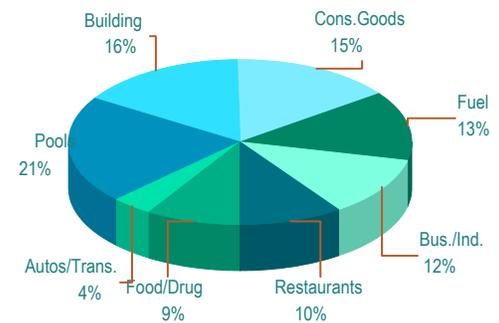
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

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 Q4 '19*	Change	County Change	HdL State Change
Automotive Supply Stores	19.7	22.0%	1.6%	0.6%
Building Materials	174.0	6.8%	3.2%	1.4%
Casual Dining	50.3	-2.8%	4.6%	3.8%
Contractors	36.6	-16.9%	-4.6%	-4.4%
Convenience Stores/Liquor	17.5	3.0%	-2.3%	-0.3%
Discount Dept Stores	— CONFIDENTIAL —	—	1.0%	3.6%
Drug Stores	— CONFIDENTIAL —	—	-1.0%	-0.7%
Drugs/Chemicals	— CONFIDENTIAL —	—	33.6%	-0.5%
Grocery Stores	— CONFIDENTIAL —	—	-2.2%	1.3%
Light Industrial/Printers	46.0	21.7%	-16.8%	-7.4%
Medical/Biotech	— CONFIDENTIAL —	—	20.7%	-0.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-13.0%	-1.3%
Quick-Service Restaurants	62.8	3.5%	0.5%	1.9%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	-7.5%	1.4%
Service Stations	133.6	2.0%	-6.2%	0.2%
Total All Accounts	1,045.7	-6.6%	-1.5%	0.2%
County & State Pool Allocation	278.1	43.2%	31.2%	26.7%
Gross Receipts	1,323.8	0.7%	3.9%	4.2%

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