

Q2 2020



City of Martinez Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Martinez In Brief

Martinez's receipts from April through June were 31.3% above the second sales period in 2019 as payments deferred from earlier periods were collected. After adjusting for the payment issues and other reporting corrections, actual sales were down 1.8%.

Second quarter 2020 was the economic bottoming out from the COVID-19 pandemic. Temporary closures impacted restaurants while auto-related sectors were lower than a year ago.

Less travel and plunging fuel prices dragged down receipts in service stations. Business to business transactions slumped this period.

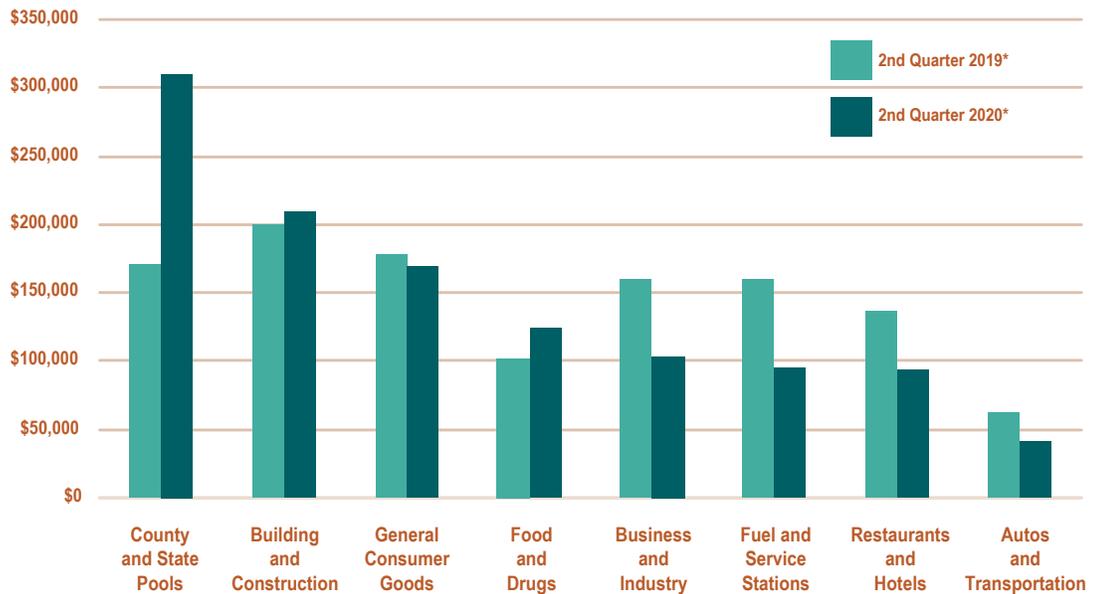
Building materials posted gains. Food and drugs deemed essential benefited from remaining open. A recent addition added to the rise.

Additional taxes from marketplace facilitators plus a surge in online sales almost offset the decline in point of sale allocations.

The City's two transaction districts at the combined rate of 1% generated an additional \$1,786,968. This represents a 0.6% decline absent reporting adjustments. The increase in grocery and online transactions offset lower returns in other sectors.

Net of aberrations, taxable sales for all of Contra Costa County declined 15.2% over a year ago.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Les Schwab
A Wireless	Lucky Supermarket
ABC Supply	McDonalds
Ace Truckbox Center	Nob Hill Foods
Build Tek	Number One Concrete Ready Mix
Chevron	Quik Stop
Copart	Rite Aid
Cresco Equipment Rentals	Safeway
CVS Pharmacy	Siemens Medical Solutions
Eco Services Operations	Sloat Garden Center
Golden Gate Petroleum	Velvet Cannabis
Home Depot	Walmart
Industrial Lumber	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$4,242,543	\$3,877,912
County Pool	810,758	1,068,360
State Pool	2,230	2,108
Gross Receipts†	\$5,055,531	\$4,948,379
Cty/Cnty Share	(126,388)	(123,709)
Net Receipts	\$4,929,143	\$4,824,669
Measure D	\$3,916,709	\$4,037,105
Measure X	\$837,781	\$3,979,695

†Includes tax sharing amounts due to others

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

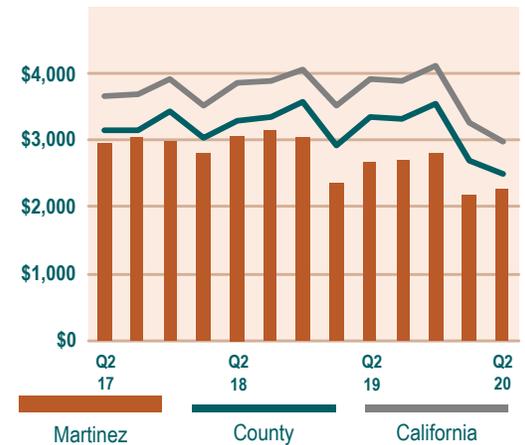
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

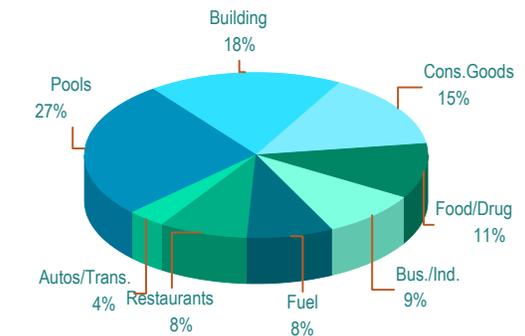
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

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	Martinez		County	HdL State
	Q2 '20	Change	Change	Change
Automotive Supply Stores	18,811	2.5%	-8.6%	-4.7%
Building Materials	182,055	8.5%	7.6%	7.0%
Casual Dining	31,382	-44.1%	-51.7%	-53.2%
Contractors	25,764	-15.6%	-27.7%	-12.7%
Convenience Stores/Liquor	22,367	3.7%	11.4%	8.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-9.3%	-6.3%
Drug Stores	— CONFIDENTIAL —	—	-2.0%	0.1%
Drugs/Chemicals	— CONFIDENTIAL —	—	-16.9%	-6.8%
Electronics/Appliance Stores	16,523	186.2%	-50.8%	-50.8%
Grocery Stores	— CONFIDENTIAL —	—	8.3%	7.8%
Medical/Biotech	— CONFIDENTIAL —	—	-37.7%	-15.2%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	12.3%	-56.9%
Quick-Service Restaurants	49,986	-20.3%	-18.0%	-22.0%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	-22.9%	-13.3%
Service Stations	75,800	-39.1%	-49.4%	-45.2%
Total All Accounts	836,916	-16.1%	-25.4%	-24.0%
County & State Pool Allocation	310,294	82.3%	36.5%	28.9%
Gross Receipts	1,147,210	-1.8%	-15.2%	-16.3%

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