

Q3 2018



Contra Costa County Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Contra Costa County In Brief

The Unincorporated Area's receipts from July through September were 27.8% above the third sales period in 2017. Excluding reporting aberrations, actual sales were up 13.5%.

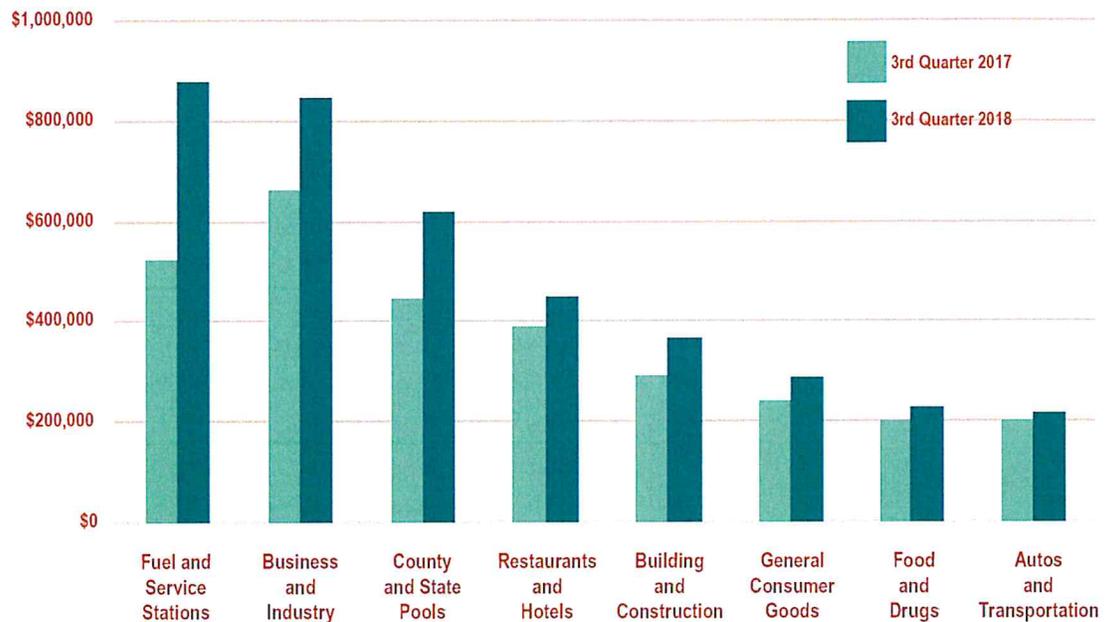
Multi-quarter adjustments to resolve outstanding payments that resulted from the State's software conversion temporarily spiked returns in all business groups and triggered the surge in countywide use tax allocation pool.

Large increases in the petroleum prod/equipment category further contributed to the gain as compared to a year ago. Service station activity had missing payments that offset the double payments, once both types of deviations were accounted for, this activity had a gain of 19% compared to a year ago. A strong summer quarter by multiple contractors boosted building and construction returns.

Business to business was a mixed bag with a new outlet, onetime payments and several outlets with declines in sales, accounting for these variations as well as the double payments, this category was up about 4%.

Net of aberrations, taxable sales for all of Contra Costa County grew 7.0% over the comparable time period; the Bay Area was up 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alamo Shell	General Plumbing Supply
Bay Point Valero	Hertz Equipment Rental
BDV Chevron	New York Times Sales
Brickyard Building Materials	Nor Cal Mastercraft
Canadian Solar	Phillips 66 Company
Colonial Energy	Roofing Supply Group
Country Junction Enterprises	S & S Tool & Supply
County Asphalt	Safeway
Cresco Equipment Rentals	Safeway Fuel
Criterion Catalysts Technologies	Sams Club
Dead Fish	Tesoro Refining & Marketing
El Sobrante Arco	Wesco Distribution
Five Star Gas & Grocery	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$2,513,747	\$3,280,279
County Pool	441,755	614,563
State Pool	2,033	1,760
Gross Receipts	\$2,957,535	\$3,896,602
Cty/Cnty Share	965,093	1,115,010
Net Receipts	\$3,922,628	\$5,011,612

California Overall

The CDTFAs problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

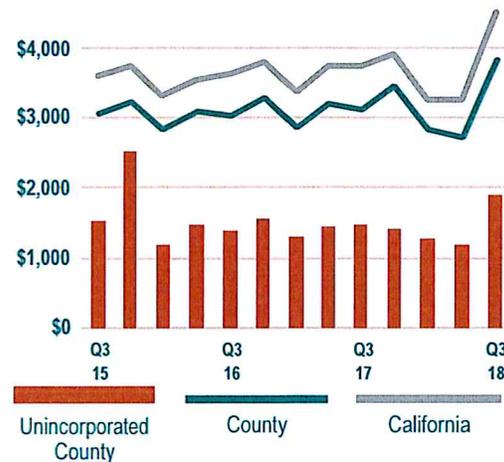
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

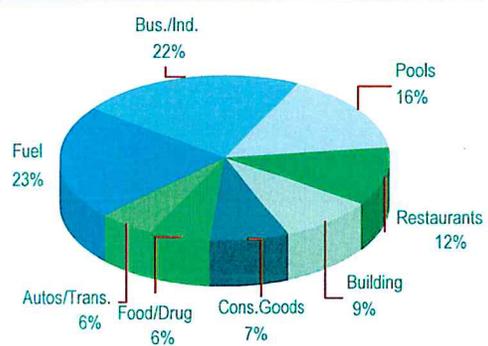
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Contra Costa Co. Uninc This Quarter



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

Business Type	<i>*In thousands of dollars</i>			
	Unincorporated County Q3 '18*	County Change	County Change	HdL State Change
Boats/Motorcycles	66.3	26.0%	30.9%	14.7%
Building Materials	79.6	28.4%	39.1%	29.8%
Casual Dining	171.2	7.9%	18.1%	14.8%
Contractors	218.9	28.0%	39.2%	37.6%
Convenience Stores/Liquor	79.7	24.3%	26.1%	20.6%
Discount Dept Stores	—	CONFIDENTIAL	14.2%	18.3%
Electrical Equipment	—	CONFIDENTIAL	110.7%	36.5%
Garden/Agricultural Supplies	124.6	55.5%	32.9%	9.3%
Grocery Stores	94.9	2.0%	16.9%	16.1%
Leisure/Entertainment	100.4	11.3%	19.3%	16.8%
Light Industrial/Printers	193.6	30.3%	45.2%	29.0%
Petroleum Prod/Equipment	272.7	270.0%	55.6%	24.6%
Quick-Service Restaurants	122.6	11.1%	13.8%	13.4%
Repair Shop/Equip. Rentals	143.8	4.0%	28.1%	36.1%
Service Stations	595.6	34.7%	19.3%	43.1%
Total All Accounts	3,280.3	30.5%	23.0%	21.8%
County & State Pool Allocation	616.3	38.9%	30.9%	27.8%
Gross Receipts	3,896.6	31.8%	24.2%	22.6%
City/County Share	1,115.0	15.5%		
Net Receipts	5,011.6	27.8%		