

Q4 2018



Contra Costa County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Contra Costa County In Brief

The unincorporated area's receipts from October through December were 9.6% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 7.1%.

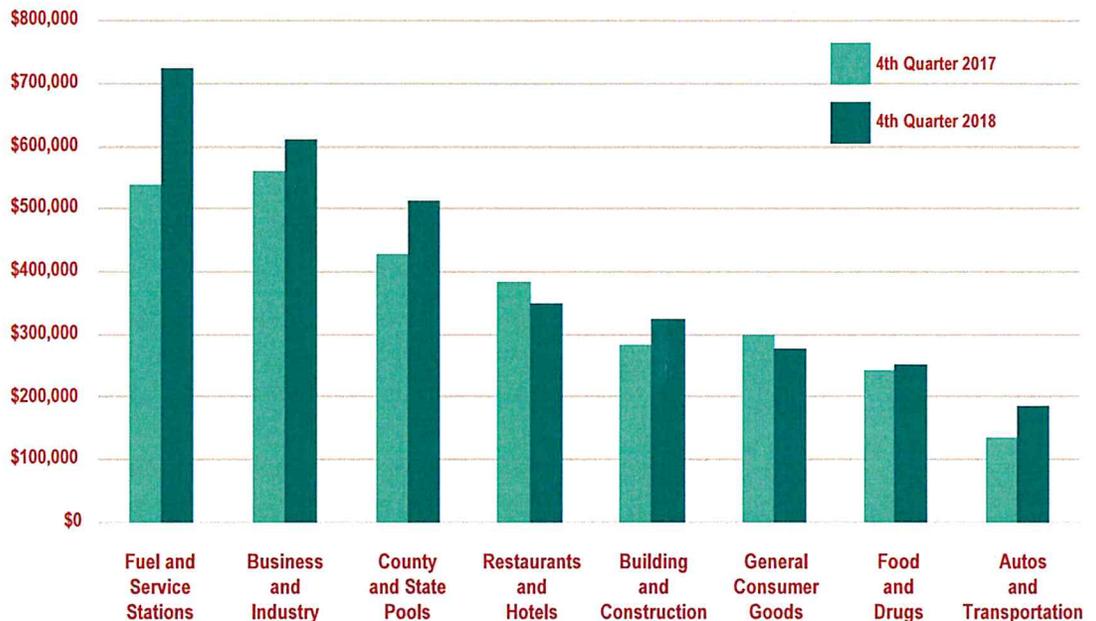
The State remains focused on solving its issues with the transition to a new software system; revenue from prior periods continued to flow to local agencies. Doubled-up collections inflated results from service stations and casual dining establishments. Conversely, missing payments suppressed real activity improvement from leisure/entertainment venues.

Contractors and plumbing suppliers were busy during the last months of 2018, even with minor exceptions removed, a 14% gain came from building-construction. Taxes remitted by petroleum products and equipment merchants doubled when measured against the year-ago comparable quarter.

While a couple sectors of the business-industrial group posted positive results, several had large account irregularities; revenues dipped 7% once all discrepancies are removed. A recent eatery closure pushed quick service restaurants into negative territory.

Net of aberrations, taxable sales for all of Contra Costa County grew 2.2% over the comparable time period; the Bay Area was up 2.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alamo Hardware	Dead Fish
Alamo Shell	Enterprise Car Sales
BDV Chevron	General Plumbing Supply
Blackhawk Country Club	McGuire Harley Davidson
Brickyard Building Materials	New York Times Sales
Central Concrete Supply	Phillips 66 Company
Chevron	Safeway
Chevron Arthur Road	Safeway Fuel
Colonial Energy	Sams Club
County Asphalt	Tesoro Refining & Marketing
Criterion Catalysts Technologies	United Rentals
D&D Ready Mix	Walgreens
	Wesco Distribution

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$4,967,345	\$6,017,725
County Pool	869,082	1,127,705
State Pool	2,762	3,141
Gross Receipts	\$5,839,189	\$7,148,571
Cty/Cnty Share	2,036,879	2,196,639
Net Receipts	\$7,876,068	\$9,345,210

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

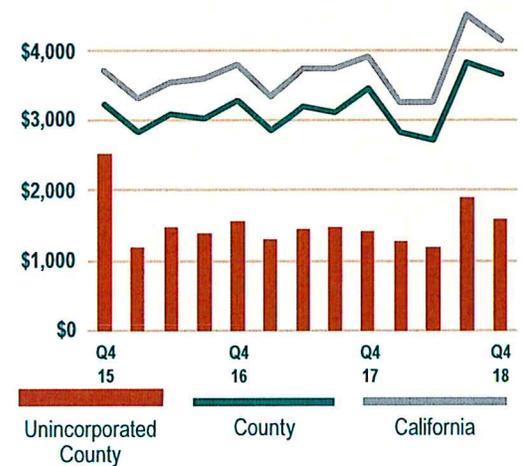
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

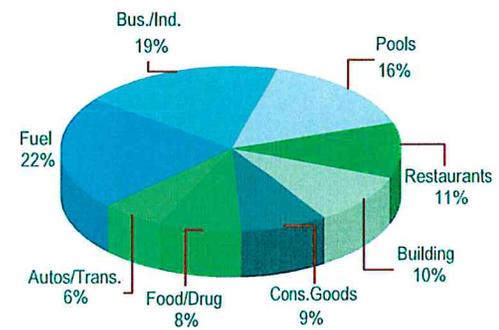
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Contra Costa Co. Uninc This Quarter



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

Business Type	Unincorporated County		County	HdL State
	Q4 '18*	Change	Change	Change
Casual Dining	141.1	-11.5%	0.4%	2.5%
Contractors	182.9	12.3%	12.0%	17.3%
Convenience Stores/Liquor	67.3	-7.8%	-3.0%	2.1%
Discount Dept Stores	— CONFIDENTIAL —	—	3.7%	3.9%
Drug Stores	— CONFIDENTIAL —	—	27.2%	21.9%
Electrical Equipment	— CONFIDENTIAL —	—	14.1%	-1.2%
Grocery Stores	118.8	1.5%	-7.1%	-11.7%
Leisure/Entertainment	76.3	-7.5%	3.0%	3.6%
Light Industrial/Printers	144.1	-25.8%	30.3%	9.1%
Petroleum Prod/Equipment	195.7	111.1%	-42.9%	24.3%
Plumbing/Electrical Supplies	72.2	47.8%	6.2%	8.9%
Quick-Service Restaurants	105.3	-1.2%	7.1%	6.6%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	-8.0%	1.5%
Service Stations	520.3	18.4%	52.8%	28.5%
Transportation/Rentals	— CONFIDENTIAL —	—	22.5%	9.3%
Total All Accounts	2,737.4	11.6%	7.0%	7.0%
County & State Pool Allocation	514.5	20.2%	15.2%	8.6%
Gross Receipts	3,252.0	12.9%	8.2%	7.2%
City/County Share	1,081.6	0.9%		
Net Receipts	4,333.6	9.6%		