Q1 2019

Contra Costa County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Contra Costa County In Brief

The unincorporated area's receipts from January through March were 18.5% above the first sales period in 2018. Excluding reporting aberrations, actual sales were up 3.4%.

Recurring payment issues associated with the recent CDTFA software conversion overstated receipts in fuel and service stations, hospitality-related sectors and food and drugs.

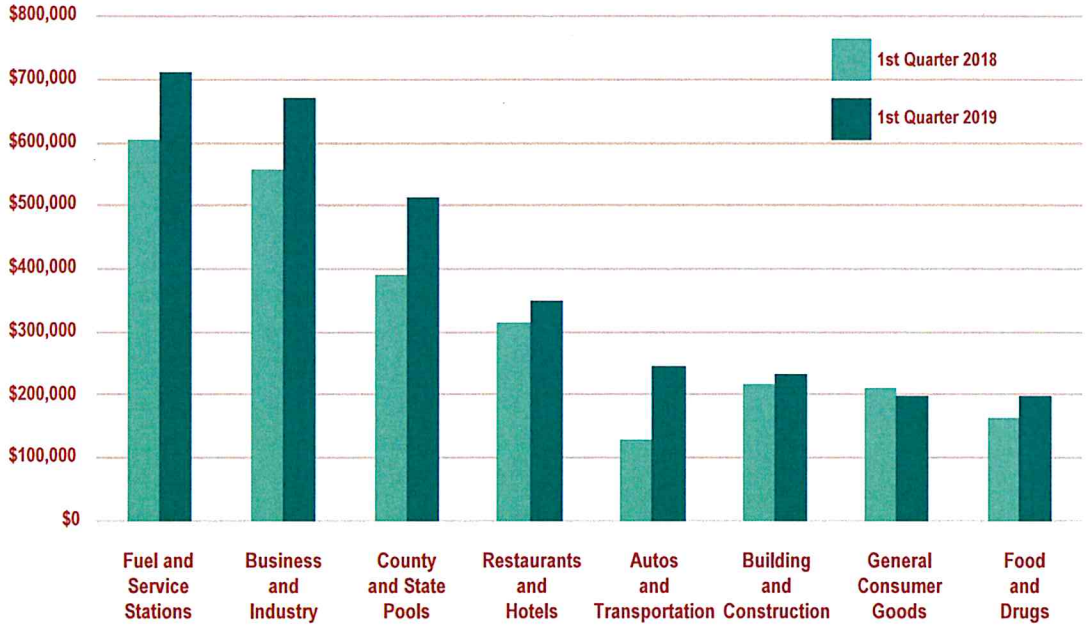
A onetime audit recovery accounted for the spike in business and industry. Lower returns in several sectors including electrical equipment curtailed actual receipts. A business consolidation triggered the rise in the autos and transportation group.

The overall increase in receipts yielded the boost in the county's share of the countywide use tax allocation pool.

Post-holiday retail was hampered by missing allocations and a store closeout.

Net of aberrations, taxable sales for all of Contra Costa County declined 2.2% over the comparable time period; the Bay Area was down 0.2%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- Alamo Shell
- AMT Metal Fabricators
- Arco
- BDV Chevron
- Brickyard Building Materials
- Canadian Solar
- Colonial Energy
- Criterion Catalysts Technologies
- Daimler Trust
- Dead Fish
- Diablo Country Club
- El Sobrante Shell
- Enterprise Car Sales
- General Plumbing Supply
- Hertz Equipment Rental
- New York Times Sales
- Phillips 66 Company
- S & S Tool & Supply
- Safeway
- Safeway Fuel
- Sams Club
- Tesoro Refining & Marketing
- United Rentals
- Walgreens
- Wesco Distribution

Revenue Comparison

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	$7,168,893	$8,660,403
County Pool	1,258,532	1,638,462
State Pool	4,730	4,694
Gross Receipts	$8,432,155	$10,303,560
Cty/Cnty Share	2,921,943	3,163,399
Net Receipts	**$11,354,098**	**$13,466,959**

Published by HdL Companies in Summer 2019
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NOTES

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

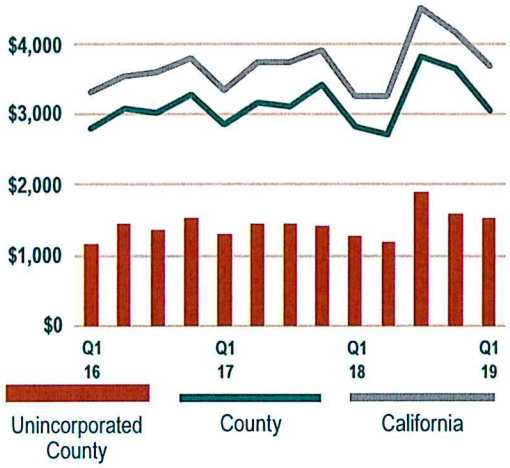
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

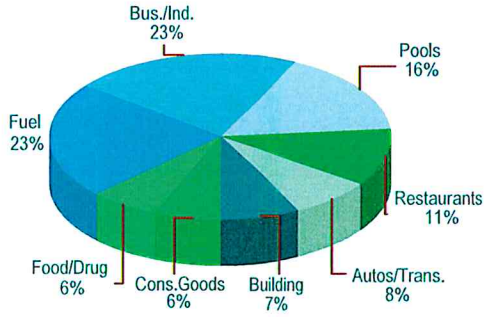
Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

Sales Per Capita



Revenue By Business Group

Contra Costa Co. Uninc This Quarter



Contra Costa County Top 15 Business Types

*In thousands of dollars	Unincorporated County		County	HdL State
Business Type	**Q1 '19***	**Change**	**Change**	**Change**
Building Materials	55.8	5.0%	-3.4%	4.0%
Casual Dining	155.7	13.2%	12.4%	13.3%
Contractors	121.1	12.3%	-6.7%	4.8%
Convenience Stores/Liquor	59.2	11.2%	41.7%	16.2%
Discount Dept Stores	— CONFIDENTIAL —		0.8%	2.9%
Energy/Utilities	— CONFIDENTIAL —		-86.7%	582.0%
Grocery Stores	87.8	3.0%	12.0%	25.7%
Heavy Industrial	56.0	51.2%	-89.0%	15.4%
Leisure/Entertainment	78.6	26.6%	23.9%	18.1%
Light Industrial/Printers	137.6	1.4%	20.4%	13.6%
Petroleum Prod/Equipment	140.1	-34.9%	35.6%	18.3%
Quick-Service Restaurants	91.1	2.8%	11.5%	10.1%
Repair Shop/Equip. Rentals	112.7	64.6%	35.6%	38.1%
Service Stations	563.7	48.0%	12.6%	15.8%
Transportation/Rentals	— CONFIDENTIAL —		49.9%	61.2%
Total All Accounts	**2,642.7**	**20.0%**	**8.7%**	**13.5%**
County & State Pool Allocation	**512.3**	**30.9%**	**18.5%**	**23.8%**
Gross Receipts	**3,155.0**	**21.7%**	**10.2%**	**14.9%**
City/County Share	**966.8**	**9.2%**		
Net Receipts	**4,121.7**	**18.5%**		