

# Q2 2020



# Contra Costa County Sales Tax *Update*

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

## Contra Costa County In Brief

The unincorporated area's receipts from April through June were 28.0% 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 up 20.5%.

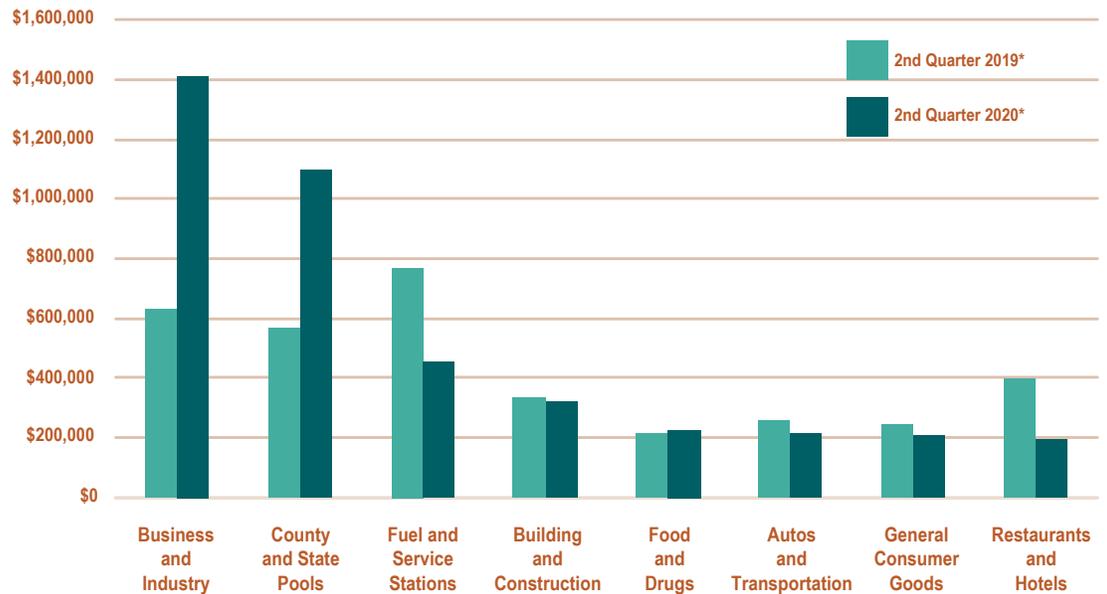
A onetime allocation spiked returns in the business and industry group. Additional taxes from marketplace facilitators plus a surge in online sales generated a larger pool allocation. These online sales increased the Contra Costa pool by 36.5% and the county's allocation by \$524,000 compared to this time last year.

Partially offsetting these gains were adverse impacts from the COVID-19 pandemic. Less consumption coupled with lower fuel prices dragged down receipts in service stations. Temporary closures reduced tax returns from restaurants.

With all doors closed for all but a few essential businesses, general consumer goods categories reported declines. However, the county's retail performed better than regional trends.

Net of aberrations, taxable sales for all of Contra Costa County declined 15.2% over the comparable time period; the Bay Area was down 21.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

A & M Sales	Dead Fish
Alamo Hardware	El Sobrante Shell
Alamo Shell	Enterprise Car Sales
BDV Chevron	General Plumbing Supply
Beacon Roofing Supply	New York Times Sales
Brickyard Building Materials	Nor Cal Mastercraft
Canadian Solar	Safeway
CD & Power	Safeway Fuel
Central Concrete Supply	Sams Club
Chevron	Shields Harper & Co
County Asphalt	Tesoro Refining & Marketing
Criterion Catalysts Technologies	United Rentals
	Walgreens

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$11,424,052	\$11,374,217
County Pool	2,186,646	3,176,802
State Pool	5,936	6,111
Gross Receipts	\$13,616,634	\$14,557,130
Cty/Cnty Share	4,185,869	4,079,406
Net Receipts	\$17,802,503	\$18,636,536

## 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

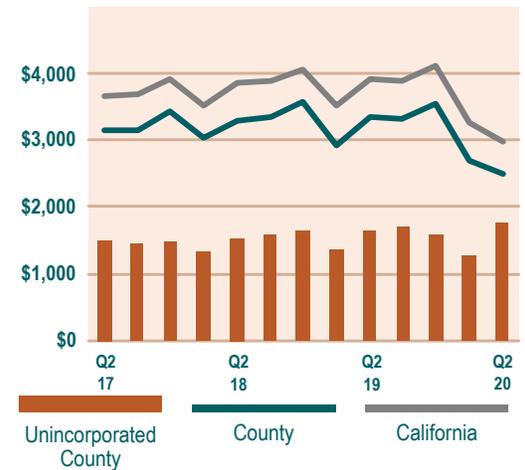
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

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.

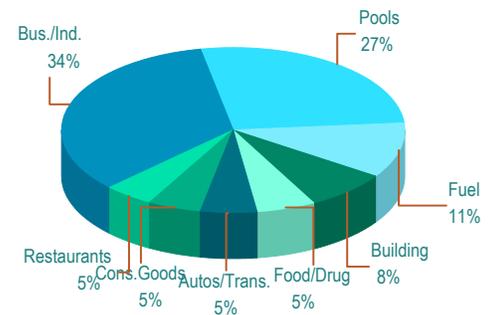
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected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

## SALES PER CAPITA\*



\*Allocation aberrations have been adjusted to reflect sales activity

## REVENUE BY BUSINESS GROUP Contra Costa Co. Uninc This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

## CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

Business Type	Unincorporated County		County	HdL State
	Q2 '20*	Change	Change	Change
Boats/Motorcycles	53.9	11.7%	13.0%	9.2%
Building Materials	94.4	13.2%	7.6%	7.0%
Casual Dining	73.9	-54.3%	-51.7%	-53.2%
Contractors	174.5	-6.3%	-27.7%	-12.7%
Convenience Stores/Liquor	68.4	5.4%	11.4%	8.3%
Discount Dept Stores	—	CONFIDENTIAL	-9.3%	-6.3%
Energy/Utilities	—	CONFIDENTIAL	135.1%	12.1%
Garden/Agricultural Supplies	69.3	-35.6%	-10.7%	3.5%
Grocery Stores	110.0	14.5%	8.3%	7.8%
Light Industrial/Printers	117.0	-17.0%	-27.0%	-16.8%
Petroleum Prod/Equipment	141.8	-4.6%	12.3%	-56.9%
Quick-Service Restaurants	82.7	-20.4%	-18.0%	-22.0%
Repair Shop/Equip. Rentals	82.8	-16.7%	-22.9%	-13.3%
Service Stations	303.7	-50.2%	-49.4%	-45.2%
Transportation/Rentals	—	CONFIDENTIAL	-74.6%	-51.6%
<b>Total All Accounts</b>	<b>3,054.8</b>	<b>6.4%</b>	<b>-25.4%</b>	<b>-24.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,094.1</b>	<b>92.0%</b>	<b>36.5%</b>	<b>28.9%</b>
<b>Gross Receipts</b>	<b>4,148.9</b>	<b>20.5%</b>	<b>-15.2%</b>	<b>-16.3%</b>

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