

Q4 2019



Contra Costa County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Contra Costa County In Brief

The unincorporated area's receipts from October through December were 8.2% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 2.1%.

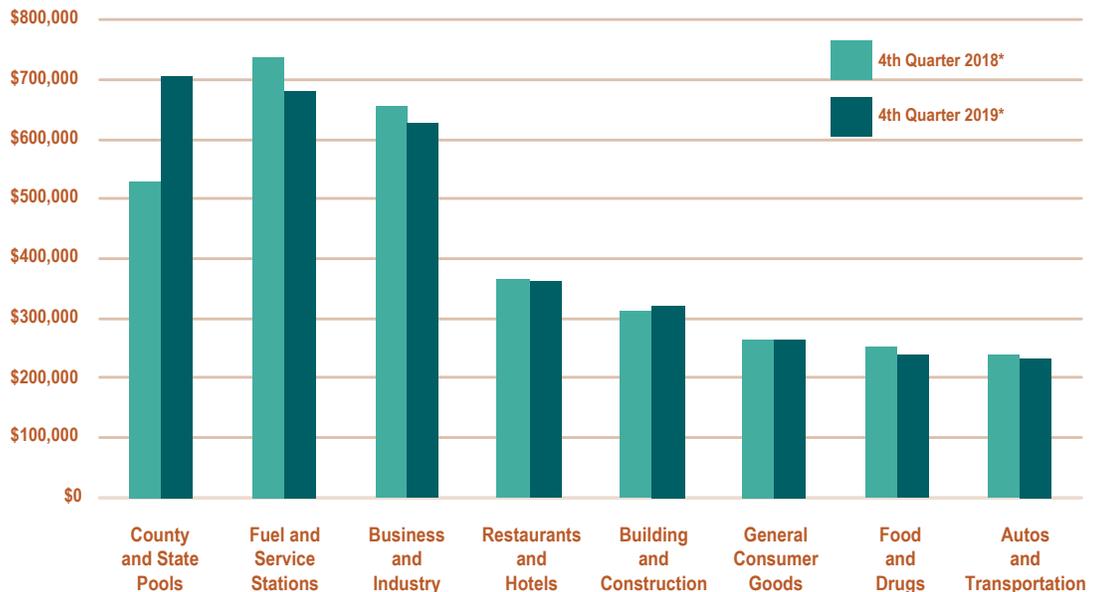
Once multiple reporting anomalies were removed, business to business performance was down 4.1%. Sales activity declined in several sectors including electrical equipment, heavy industry and business services.

The actual loss of 1.2% in the restaurant and hotel group trailed regional trends. Fuel-related receipts which were 20% of quarterly allocations, declined 7.6%. Both service stations and petroleum products/equipment under performed compared to a year ago.

The full implementation of the Way-fair decision including Marketplace Facilitators elevated the county's allocation from the countywide pool. The overall growth in gross receipts was in large part due to this factor.

Net of aberrations, taxable sales for all of Contra Costa County grew 3.9% over the comparable time period; the Bay Area was up 3.9%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alamo Hardware	General Plumbing Supply
Alamo Shell	Hertz Equipment Rental
BDV Chevron	McGuire Harley Davidson
Blackhawk Country Club	New York Times Sales
Brickyard Building Materials	Phillips 66 Company
Canadian Solar	S & S Tool & Supply
Central Concrete Supply	Safeway
Colonial Energy	Safeway Fuel
County Asphalt	Sams Club
Criterion Catalysts Technologies	Shields Harper & Co
Dead Fish	United Rentals
El Sobrante Shell	Wesco Distribution
Enterprise Car Sales	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$6,017,725	\$5,974,537
County Pool	1,127,705	1,434,445
State Pool	3,141	2,796
Gross Receipts	\$7,148,571	\$7,411,778
Cty/Cnty Share	2,196,639	2,299,824
Net Receipts	\$9,345,210	\$9,711,602

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

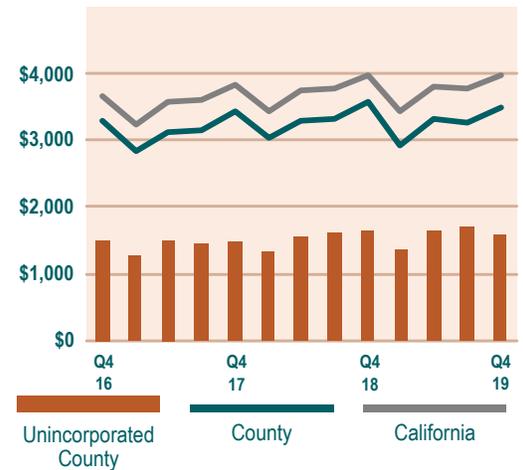
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

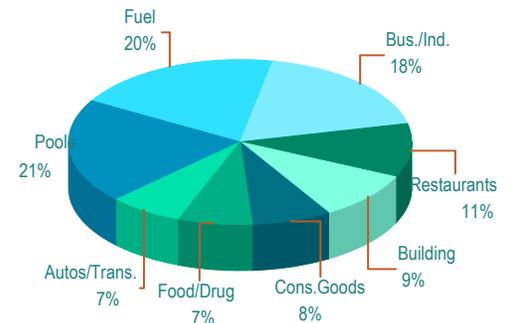
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

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	*In thousands of dollars			
	Unincorporated County Q4 '19*	County Change	County Change	HdL State Change
Building Materials	76.5	6.1%	3.2%	1.4%
Casual Dining	148.0	-0.8%	4.6%	3.8%
Contractors	162.0	0.7%	-4.6%	-4.4%
Convenience Stores/Liquor	66.8	-1.3%	-2.3%	-0.1%
Discount Dept Stores	— CONFIDENTIAL —	—	1.0%	3.6%
Garden/Agricultural Supplies	62.7	8.7%	8.4%	-0.4%
Grocery Stores	122.4	-7.4%	-2.2%	1.3%
Leisure/Entertainment	87.5	-1.4%	1.4%	4.6%
Light Industrial/Printers	137.2	-3.2%	-16.8%	-7.4%
Petroleum Prod/Equipment	196.1	-1.4%	-13.0%	-1.3%
Plumbing/Electrical Supplies	72.5	0.8%	-1.4%	-0.7%
Quick-Service Restaurants	99.5	1.2%	0.5%	1.9%
Repair Shop/Equip. Rentals	117.1	-2.8%	-7.5%	1.1%
Service Stations	475.5	-10.4%	-6.2%	0.2%
Transportation/Rentals	— CONFIDENTIAL —	—	0.7%	3.7%
Total All Accounts	2,739.6	-3.7%	-1.5%	0.2%
County & State Pool Allocation	706.2	33.5%	31.2%	26.7%
Gross Receipts	3,445.7	2.1%	3.9%	4.2%

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