

Q1 2020



Contra Costa County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Contra Costa County In Brief

The unincorporated area's receipts from January through March were 18.1% below the first sales period in 2019. Cash allocations were pulled down by year ago adjustments and by eligible companies taking advantage of the extra 90-days to file tax returns under the Governor's recent Executive Order. Excluding reporting aberrations, actual sales were down 0.7%.

Consequences were noteworthy as a result of 'shelter in place' declarations in mid-March. Restaurants were particularly impacted reporting large tax reductions while general consumer goods had fewer taxable transactions in most categories.

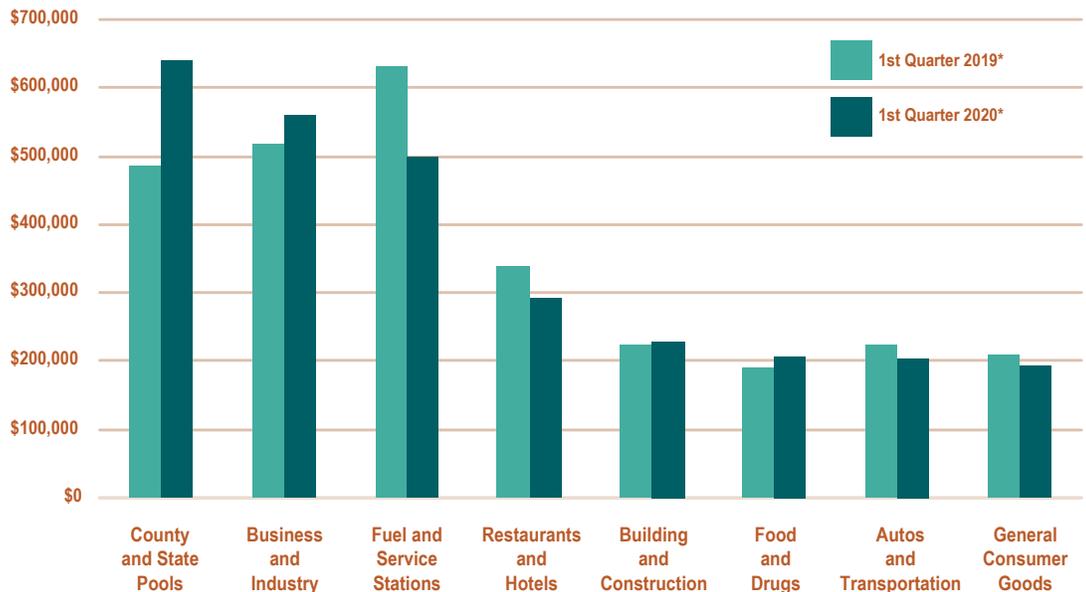
The decline in fuel and service stations was exaggerated by one-time allocations that inflated the comparison quarter.

In contrast, business to business transactions were on the upside.

The county's share of the county-wide pool was up 31.5%. The spike was primarily due to recent legislation which allowed tax collection from third-party sellers on internet-based market platforms.

Net of aberrations, taxable sales for all of Contra Costa County declined 1.0% over the comparable time period; the Bay Area was down 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alamo Hardware	Enterprise Car Sales
Alamo Shell	General Plumbing Supply
BDV Chevron	New York Times Sales
Beacon Roofing Supply	Phillips 66 Company
Brickyard Building Materials	Rotten Robbie
C & H Sugar	S & S Tool & Supply
Central Concrete Supply	Safeway Fuel
Colonial Energy	Sams Club
County Asphalt	Sunstate Equipment
Criterion Catalysts Technologies	Tesoro Refining & Marketing
Dead Fish	United Rentals
El Sobrante Shell	Walgreens
	Wesco Distribution

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$8,660,403	\$7,932,303
County Pool	1,638,462	2,037,941
State Pool	4,694	4,655
Gross Receipts	\$10,303,560	\$9,974,899
Cty/Cnty Share	3,163,399	3,111,737
Net Receipts	\$13,466,959	\$13,086,636

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

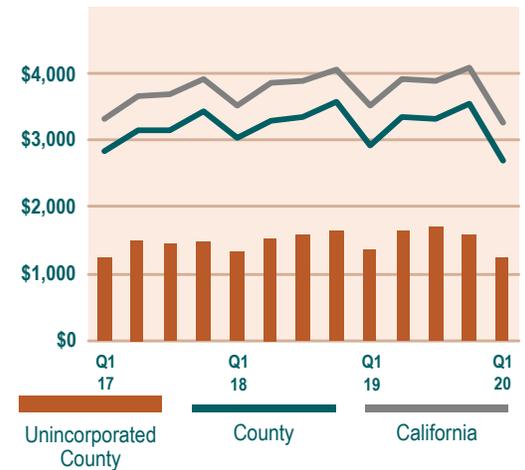
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

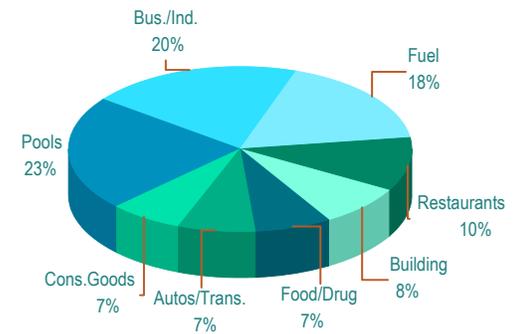
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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
	Q1 '20*	Change	Change	Change
Building Materials	59.1	7.9%	5.6%	3.0%
Casual Dining	122.9	-17.9%	-21.7%	-18.8%
Contractors	113.0	0.3%	-14.4%	3.2%
Convenience Stores/Liquor	56.4	-4.0%	-1.3%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —	—	2.9%	3.2%
Electrical Equipment	48.9	1.6%	-0.4%	-7.1%
Garden/Agricultural Supplies	56.8	13.9%	9.5%	12.0%
Grocery Stores	102.5	19.4%	13.8%	11.8%
Leisure/Entertainment	62.5	-3.9%	-15.3%	-21.6%
Light Industrial/Printers	150.7	10.7%	-12.0%	-5.0%
Petroleum Prod/Equipment	101.0	-29.1%	-5.6%	-9.6%
Quick-Service Restaurants	90.4	-4.2%	-15.2%	-8.5%
Repair Shop/Equip. Rentals	89.8	7.9%	2.3%	-0.3%
Service Stations	386.7	-19.1%	-16.7%	-9.5%
Transportation/Rentals	— CONFIDENTIAL —	—	-1.0%	-11.7%
Total All Accounts	2,187.5	-7.3%	-8.1%	-7.3%
County & State Pool Allocation	638.3	31.5%	36.1%	22.4%
Gross Receipts	2,825.8	-0.7%	-1.0%	-3.0%

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