
Administration and Projects Committee **STAFF REPORT**

Meeting Date: September 07, 2023

Subject	Accept Quarterly Sales Tax Revenue Report for the Period Ended March 31, 2023
Summary of Issues	This report contains a summary of sales tax revenues, including analysis and comparisons against prior quarterly periods.
Recommendations	Staff seeks acceptance of the quarterly sales tax revenue report for the period ended March 31, 2023.
Staff Contact	Brian Kelleher
Financial Implications	None
Options	N/A
Attachments	<p>A. Quarter 1 Sales Tax Update by Hinderliter, de Llamas and Associates (HdL), Quarterly Comparison</p> <p>B. Sales Tax Consensus Forecast by HdL</p>
Changes from Committee	N/A

Background

Sales tax revenues are collected by the California Department of Tax and Fee Administration (CDTFA) and distributed to the jurisdictions in monthly installments (advances) based on quarterly estimates for taxable sales for the county. Actual sales tax revenues are accounted for in a “clean-up payment” four times a year. For the fiscal year ending June 30, 2023, the clean-up payment occurred in August.

Sales Tax Revenues

The Authority entered into a service agreement with HdL to provide sales tax transaction and audit services. In addition to the audit and recovery of tax revenues, HdL provides two other major services that are extremely beneficial to the Authority. HdL provides analysis of sales tax revenue on a quarterly and annual basis that is vital in the estimation of sales tax revenue to be received and projected by the Authority in its budgeting and strategic plan updates. However, the data from CDTFA is not available for three months following the end of each quarter. The Authority has granted HdL access to the data released from CDTFA for the reports and analysis prepared by HdL.

For the third quarter of Fiscal Year (FY) 2022-23 (January-March 2023), the Authority's adjusted for economic data sales tax revenues totaled \$28.2 million. Compared to the prior fiscal year, this is a decrease of \$49,439 or -0.2%. The Authority reports on the financials sales tax revenue collected on a cash basis vs. adjusted for economic data sales based on transaction date. HdL provides reports supporting both methods as it is imperative to view historical data and forecast future revenue trends based on an actual date of point-of-sale transactions.

Major sales tax retailers are required to report monthly and during the pandemic, many retailers have been late in reporting and filing sales taxes. These delinquent payments will be paid to the Authority when received by CDTFA.

The sales tax revenue receipts (cash basis) received by the Authority for the third quarter (January – March 2023) is \$28.8 million. Compared to the prior fiscal year, this is an increase of \$125,000 or 0.4%.

The sales tax revenue receipts (cash basis) received by the Authority for the first nine months (July – March 2023) is \$92.5 million. Compared to the prior fiscal year, this is an increase of \$3.2 million or 3.6%.

The table below will highlight the difference in receipts based on the adjusted for economic data to reflect date of point-of-sale transactions for reporting purposes.

Adjusted for (Date of Transaction) Receipts				
Major Industry Group	Jan-Mar 2023	Jan-Mar 2022	\$ Change	% Change
General Consumer Goods	8,191,190	8,255,616	(64,426)	4.6%
Autos and Transportation	5,753,405	5,642,394	111,011	7.7%
Business and Industry	4,252,447	4,273,608	(21,161)	2.6%
Restaurants and Hotels	3,158,930	2,844,508	314,422	8.6%
Building and Construction	2,628,440	2,908,316	(279,876)	25.2%
Fuel and Service Stations	2,335,330	2,463,153	(127,823)	-1.8%
Food and Drugs	1,519,219	1,551,341	(32,122)	0.5%
Transfers & Unidentified	320,316	269,780	50,536	6.3%
Total	28,159,277	28,208,716	(49,439)	-0.2%

Staff continue to monitor sales tax receipts and will keep the Administration and Projects Committee and Authority Board apprised.

Staff seeks acceptance of the quarterly sales tax revenue report for the period ended March 31, 2023.

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CCTA

SALES TAX UPDATE

1Q 2023 (JANUARY - MARCH)



CCTA
TOTAL: \$ 28,159,276

-0.2%
1Q2023

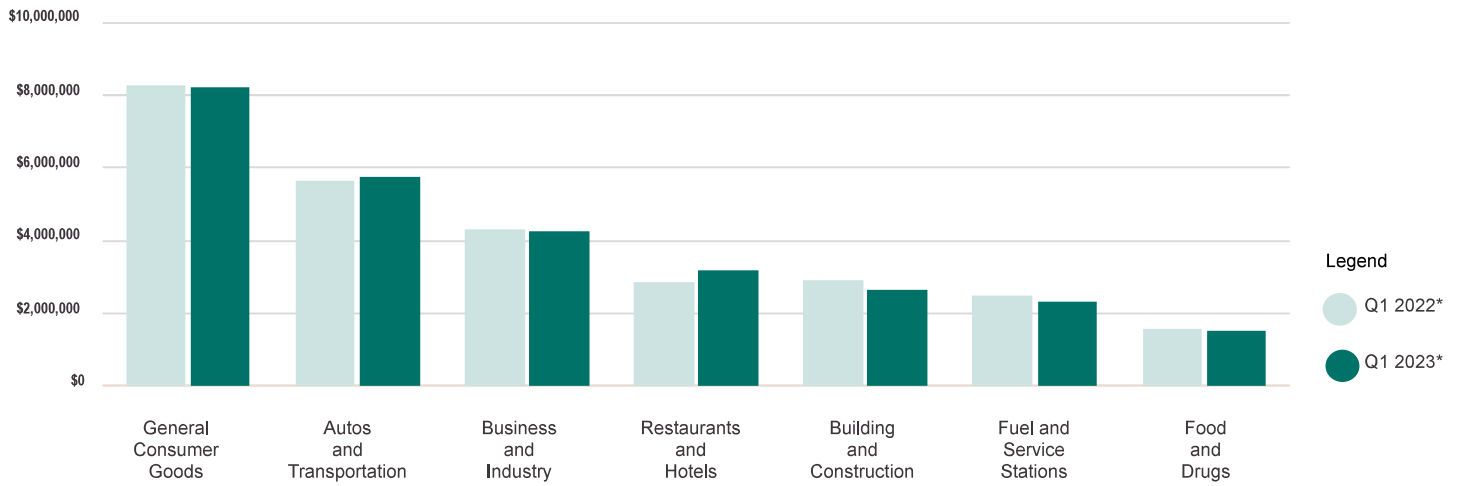


-1.1%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



CONTRA COSTA TRANSPORTATION AUTHORITY (CCTA) HIGHLIGHTS

Contra Costa Transportation Authority (CCTA)'s receipts from January through March were 0.5% above the first sales period in 2022. Excluding reporting aberrations, actual sales were down 0.2%.

Receipts dipped in service stations coming off of the elevated pump prices in 2022. Consistent with the statewide trend, a drop

in year-over-year lumber prices combined with the wet weather conditions negatively impacted returns from the building-construction group. Business-industry was brought down by a large, onetime allocation in the comparable quarter; medical/biotech and heavy industrial both continued at a steady pace.

Auto purchases in the county were a mixed bag; new motor vehicle purchases were up 7.1% but used vehicle purchases were down 11%. The consumer goods group also varied; online purchases were up 6.5% and family apparel stores were up 3%, but discount department stores, electronic stores and home furnishings both posted declines.

Undeterred by greater menu prices, patrons enjoyed dining out at both casual dining and quick service restaurants.

Net of aberrations, taxable sales for all of Contra Costa County grew 0.2% over the comparable time period; the Bay Area was up 1.2%.

TOP NON-CONFIDENTIAL BUSINESS TYPES

Business Type	Q1 '23*	Change	HdL State Change
New Motor Vehicle Dealers	3,638.7	7.1% ↑	0.8% ↑
Service Stations	2,130.8	-5.7% ↓	-9.8% ↓
General Merchandise	1,951.2	6.5% ↑	11.6% ↑
Discount Dept Stores	1,785.9	-0.2% ↓	-0.6% ↓
Casual Dining	1,514.3	14.0% ↑	9.7% ↑
Building Materials	1,455.2	-11.4% ↓	-9.7% ↓
Quick-Service Restaurants	928.8	4.9% ↑	5.1% ↑
Electronics/Appliance Stores	889.3	-6.3% ↓	-2.1% ↓
Used Automotive Dealers	826.1	-11.0% ↓	-10.9% ↓
Grocery Stores	751.7	7.3% ↑	5.5% ↑

**Allocation aberrations have been adjusted to reflect sales activity*

**In thousands of dollars*



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC's recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel

experienced a similar impact and when combined with weak results from department stores, overall general consumer goods' returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these

revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve's actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

MAJOR BUSINESS GROUP TRENDS BY COUNTY

Percent Change from 1st Quarter 2022 *

	Autos/Tran.	Bldg/Const	Bus/ind.	Food/Drug	Fuel	Cons. Goods	Restaurants
Alameda Co.	28.7%	-12.7%	-6.0%	-1.7%	-6.5%	-2.5%	9.4%
Contra Costa Co.	-5.2%	-15.4%	25.5%	-1.3%	-2.6%	-3.0%	10.5%
Marin Co.	-1.8%	-8.9%	-2.3%	0.8%	-3.1%	-6.6%	2.0%
Napa Co.	-0.4%	-12.2%	-2.8%	-0.7%	-13.4%	-0.9%	1.7%
San Francisco Co.	7.8%	-3.6%	-5.7%	0.6%	12.5%	-1.2%	25.6%
San Mateo Co.	1.7%	-3.3%	-8.0%	-0.4%	4.8%	-3.2%	16.7%
Santa Clara Co.	1.3%	-9.1%	-1.9%	-0.9%	-5.8%	-1.8%	15.9%
Solano Co.	-5.9%	-16.9%	3.1%	1.6%	-11.9%	-2.0%	5.3%
Sonoma Co.	-5.4%	-15.2%	2.1%	0.8%	-9.5%	-2.1%	6.5%

*Allocation aberrations have been adjusted to reflect sales activity