

## *Administration and Projects Committee* **STAFF REPORT**

**Meeting Date:** February 01, 2024

<b>Subject</b>	<b>Accept Quarterly Sales Tax Revenue Report for the Period Ended September 30, 2023</b>
<b>Summary of Issues</b>	This report contains a summary of sales tax revenues, including analysis and comparisons against prior quarterly periods.
<b>Recommendations</b>	Staff seeks acceptance of the quarterly sales tax revenue report for the period ended September 30, 2023.
<b>Staff Contact</b>	Brian Kelleher
<b>Financial Implications</b>	None
<b>Options</b>	N/A
<b>Attachments</b>	<b>A.</b> Quarter 3 Sales Tax Update by Hinderliter, de Llamas and Associates (HdL), Quarterly Comparison
<b>Changes from Committee</b>	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 “cleanup 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 services 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 first quarter of Fiscal Year (FY) 2023-24 (July-September 2023), the Authority's adjusted for economic data sales tax revenues totaled \$30.9 million. Compared to the prior fiscal year, this is an increase of \$369,000 or 1.2%. 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.

The sales tax revenue receipts (cash basis) received by the Authority for the first quarter (July-September 2023) totaled \$30.8 million. Compared to the prior fiscal year, this is a decrease of \$221,000 or -.07%. The sales tax revenue to date is 26.3% of the \$117 million budgeted for FY 2023-24.

The table below will highlight the difference in receipts based on the adjusted for economic data to reflect the date of point-of-sale transactions for reporting purposes. Also, the table highlights which major industry groups have been impacted by the pandemic.

<b>Adjusted for (Date of Transaction) Receipts</b>				
<b>Major Industry Group</b>	<b>July-Sept 2023</b>	<b>July-Sept 2022</b>	<b>\$ Change</b>	<b>% Change</b>
General Consumer Goods	9,029,340	8,997,962	31,378	0.3%
Autos and Transportation	5,828,056	6,019,695	(191,639)	-3.2%
Business and Industry	4,732,274	4,222,503	509,771	12.1%
Restaurants and Hotels	3,366,487	3,207,898	158,589	4.9%
Building and Construction	3,226,874	3,216,325	10,549	0.3%
Fuel and Service Stations	2,783,668	2,991,576	(207,908)	-6.9%
Food and Drugs	1,572,684	1,599,977	(27,293)	-1.7%
Transfers & Unidentified	402,896	316,809	86,087	27.2%
<b>Total</b>	<b>30,942,279</b>	<b>30,572,745</b>	<b>369,534</b>	<b>1.2%</b>

Staff continues 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 September 30, 2023.

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# CCTA

## SALES TAX UPDATE

### 3Q 2023 (JULY - SEPTEMBER)



CCTA

TOTAL: \$ 30,942,279

1.2%  
3Q2023

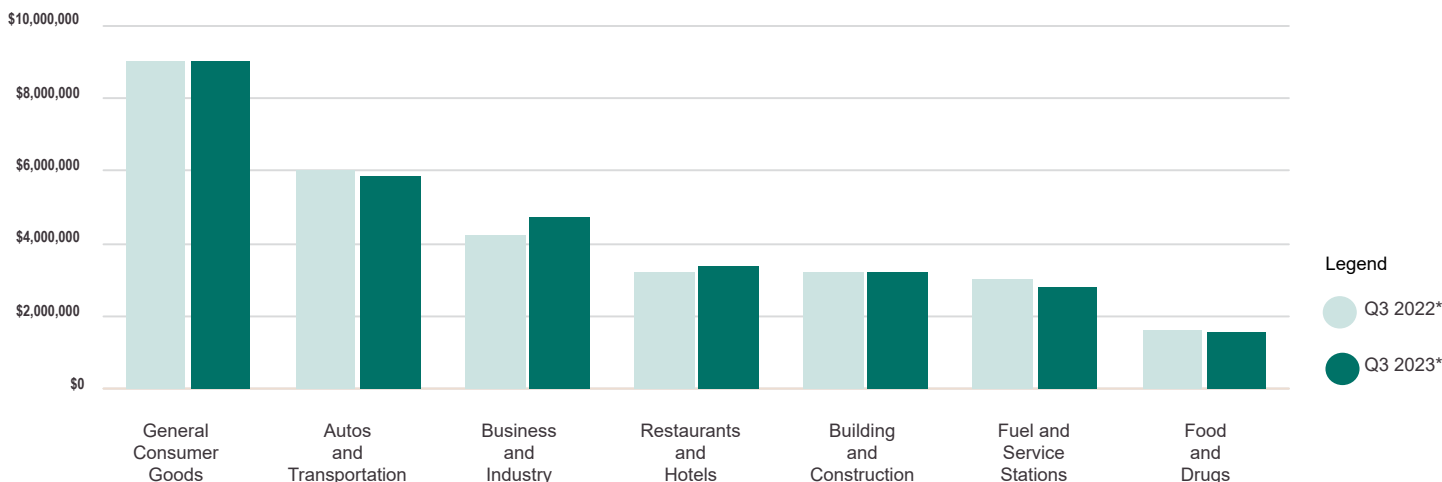


-1.6%  
STATE



*\*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 July through September were 0.8% below the third sales period in 2022. Excluding reporting aberrations, actual sales were up 1.2%.

Online shopping surged in this third quarter with new outlets as well as solid increases from existing retailers pushing the general

consumers group positive. Lessening the gains were other categories in general consumer goods which did not fare as well with fewer shoppers in retailer aisles along with store closures that took effect this summer quarter; noticeable decreases occurred in electronics/appliance stores, home furnishings and department stores. Building and construction positive results

were from increases in the prices of concrete and gravel while home improvement projects slowed.

Restaurant and hotel filings strayed from statewide trends; all categories in the group posted positive returns as patrons continue to dine out and stay in hotels even as prices escalate.

### TOP NON-CONFIDENTIAL BUSINESS TYPES

Contra Costa Transportation Authority (CCTA)			HdL State	
Business Type	Q3 '23*	Change	Change	
New Motor Vehicle Dealers	3,628.4	-1.2% ↓	-2.4% ↓	
Service Stations	2,548.1	-7.0% ↓	-7.4% ↓	
General Merchandise	2,280.1	12.1% ↑	-20.2% ↓	
Discount Dept Stores	1,984.7	-1.7% ↓	0.2% ↑	
Building Materials	1,758.9	-1.1% ↓	-2.7% ↓	
Casual Dining	1,543.7	4.0% ↑	2.8% ↑	
Quick-Service Restaurants	1,001.9	3.7% ↑	2.7% ↑	
Contractors	975.3	8.6% ↑	-1.1% ↓	
Electronics/Appliance Stores	863.8	-9.7% ↓	-14.1% ↓	
Used Automotive Dealers	855.0	-14.5% ↓	-5.8% ↓	

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

*\*In thousands of dollars*

Business and industry increase was due to one-time spikes in the drugs/chemical and in medical/biotech for purchase of equipment.

New motor vehicle dealerships fell 1.2%, brand results varied with some up and others down. Fuel related revenues from service stations regressed as prices returned to ranges that are more normal.

Net of aberrations, taxable sales for all of Contra Costa County grew 1.0% over the comparable time period; the Bay Area was down 3.0%.



## STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and

electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

Despite continued increases of new car registrations, revenue from the auto-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth

consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for 'fast food restaurants'.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingering consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

## MAJOR BUSINESS GROUP TRENDS BY COUNTY

Percent Change from 3rd Quarter 2022 \*

	Autos/Tran.	Bldg/Const	Bus/ind.	Food/Drug	Fuel	Cons. Goods	Restaurants
Alameda Co.	-31.5%	-3.2%	-3.9%	-3.9%	-14.9%	-2.0%	1.8%
Contra Costa Co.	-1.5%	-1.3%	18.3%	-1.6%	-9.5%	-2.4%	4.1%
Marin Co.	1.7%	-0.3%	-3.7%	-1.6%	-5.6%	-6.4%	2.2%
Napa Co.	5.2%	-3.3%	2.9%	-3.1%	-4.9%	-0.9%	2.4%
San Francisco Co.	-9.2%	-8.2%	-15.4%	-3.9%	-10.9%	-12.3%	0.4%
San Mateo Co.	18.6%	-0.5%	-2.6%	-0.4%	-10.3%	2.1%	7.0%
Santa Clara Co.	4.9%	-7.7%	2.1%	-3.1%	-6.8%	-2.5%	4.2%
Solano Co.	9.4%	-6.6%	-3.7%	0.7%	-10.7%	-3.5%	3.1%
Sonoma Co.	-3.7%	-6.8%	-5.6%	-1.4%	-9.5%	-3.5%	2.1%

\*Allocation aberrations have been adjusted to reflect sales activity