Q1 2011

City of Brentwood Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2011)

Brentwood In Brief

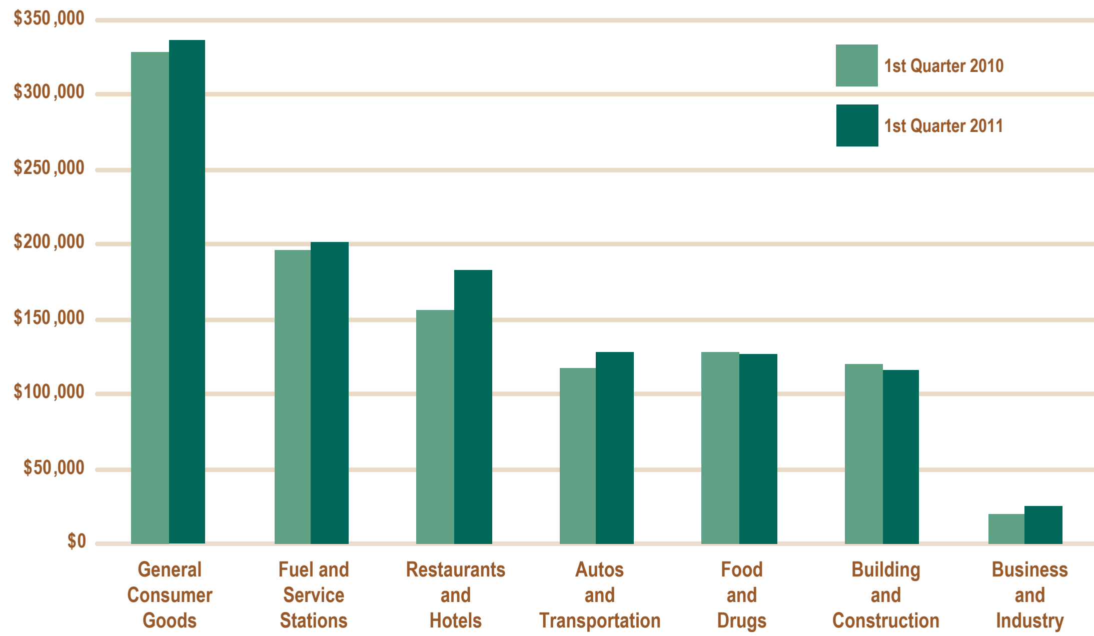
Receipts for Brentwood's January through March sales were 9.2% higher than the same quarter one year ago. About half of the adjusted gain was due to the increase in the city's allocation from the countywide use tax allocation pool.

Sales activity rose in general consumer retail with the strongest showing in sporting goods/bike stores and electronica/appliances. New eateries contributed a large share of the gain in restaurants as a whole. Payment deviations depressed positive results from higher fuel prices in the service station group while auto-related sectors gained over year-ago returns.

Temporary deviations accounted for the loss in building and construction.

Adjusted for aberrations, taxable sales for all of Contra Costa County increased 9.7% over the comparable time period, while the Bay Area as a whole was up 9.5%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

Arco AM PM
AT&T Mobility
Babies R Us
Best Buy
Bill Brandt Ford
Brentwood Service Station
Chevron
CVS Phamacy
Dallas Shanks Services
Home Depot
Home Goods
Kohls
Michaels Arts & Crafts
Raleys
Ross
Safeway
Save Mart Supermarkets
TJ Maxx
Tower Mart
Tri City Auto Plaza
Verizon Wireless
Vintners Distributors
Walgreens
Whybuynewautos Com
Winco Foods

Revenue Comparison

Four Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	$4,606,963	$4,767,289
County Pool	583,057	736,353
State Pool	4,117	2,207
Gross Receipts	$5,194,137	$5,505,849
Cty/Cnty Share	(129,853)	(137,646)
Net Receipts	**$5,064,284**	**$5,368,202**
Less Triple Flip*	$(1,266,071)	$(1,342,051)

**Reimbursed from county compensation fund*

Published by The HdL Companies in Summer 2011
www.hdlcompanies.com | 888.861.0220
The HdL Companies

NOTES

Statewide Sales on the Rise

Adjusted for accounting aberrations, California's local sales and use tax revenues from transactions during the first quarter of 2011 were 9.2% higher than the previous year's comparable quarter. This represents the fifth consecutive quarter of recovery and the largest percentage gain since the second quarter of 2005. Total annual revenues however, are still 14.8 % below 2006-2007.

Most regions of the state shared in the increase with the largest contributor coming from a dramatic surge in fuel prices. Allocations from new car sales also were a factor with a statewide gain of 19.8% over the first quarter of 2010. Revenues from full service restaurants and consumer electronics exhibited increases of 10% or more.

California Outlook

The good news is that California's economy is recovering and sales tax growth will follow. However, gains in the next two quarters will be held back by temporary supply chain disruptions caused by the earthquake and tsunami in Japan and by reduced consumer spending as rising gas prices cut into disposable incomes. New uncertainties from further declines in home values and additional government layoffs may also soften consumer spending and business investment for the first half of the fiscal year.

Sales tax growth is expected to pick up in the second half although sluggish improvement in employment and lackluster construction spending will continue to affect the economies of the state's inland regions.

Internet Taxation

Under federal case law, states cannot require businesses without a physical presence in their state to collect sales tax. Companies such as Amazon have built their business plans around avoiding collecting the tax thereby putting local brick and mortar stores at a competitive disadvantage.

This year, California has attempted to partially correct the inequity through the passage of ABX1 28 which combines the differing strategies of three previous bills with each designed to be severable in the event of a successful court challenge.

The first follows the lead of New York State by declaring that internet sales through a host of in-state affiliates constitutes "substantial nexus" and therefore makes sales through those affiliates subject to sales tax. ABX1 28 also prevents companies with in-state brick and mortar stores from treating those stores as separate legal entities to avoid collecting tax on internet sales. The third strategy permits the state to use a revised definition of "engaged in business in this state" if future court decisions expand the definition of nexus so that internet sellers must collect sales tax in their customers' jurisdictions.

ABX1 28 is expected to increase statewide tax collections by $317 million annually, with local governments splitting about $39 million or roughly $1.00 per capita. Revenues from these out of state sales would be distributed primarily though the countywide use tax allocation pools.

Staying Alive (shrinking retailers)

Agencies in smaller market areas may have fresh opportunities for new retail with big box stores now planning on smaller facilities. Reducing floor area is seen as another method of cost containment as consumer thriftiness keeps pressure on corporate profit margins.

JC Penney, Petsmart, TJ Maxx and Staples have announced plans to build stores up to 40% smaller than their existing locations while Best Buy is planning to sublease part of the space in their existing stores and retail giant Wal-Mart is experimenting with stores as small as 14,000 square feet to recapture lost market share from dollar stores.

Brentwood Top 15 Business Types

Business Type	Brentwood Q1 '11*	Brentwood Change	County Change	HdL State Change
Auto Repair Shops	20.0	10.1%	9.9%	4.9%
Automotive Supply Stores	37.8	4.9%	1.5%	5.8%
Drug Stores	28.9	-0.2%	-1.0%	3.1%
Electronics/Appliance Stores	85.8	8.1%	3.0%	11.9%
Family Apparel	90.4	0.9%	1.7%	3.8%
Grocery Stores Liquor	86.0	-2.9%	0.3%	-12.6%
Home Furnishings	39.4	3.9%	1.7%	5.1%
Lumber/Building Materials	90.3	7.4%	2.1%	2.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —		19.8%	20.0%
Restaurants Beer And Wine	32.8	-10.5%	-3.3%	-2.8%
Restaurants Liquor	55.1	34.5%	5.5%	8.1%
Restaurants No Alcohol	84.2	16.1%	9.6%	8.6%
Service Stations	202.0	3.3%	24.5%	19.8%
Specialty Stores	40.8	-4.3%	-1.4%	3.2%
Used Automotive Dealers	35.2	3.3%	-3.3%	15.7%
Total All Accounts	**$1,118.7**	**4.7%**	**5.2%**	**7.5%**
County & State Pool Allocation	**199.2**	**43.3%**		
Gross Receipts	**$1,317.9**	**9.2%**		
City/County Share	**(32.9)**	**-9.2%**		
Net Receipts	**$1,284.9**	**9.2%**		

*In thousands