Q3 2011

City of Brentwood Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

Brentwood In Brief

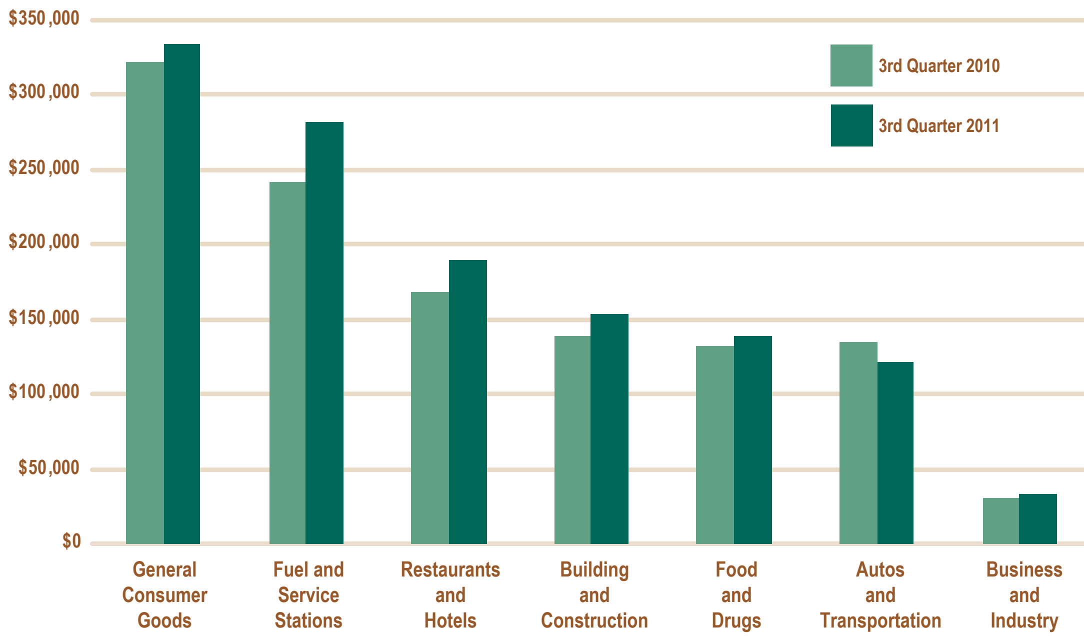
Brentwood's allocation of its tax revenues from sales occurring July through September was 7.4% higher than the same quarter one year ago.

Higher fuel prices and a generally solid quarter for most categories of goods and supplies all contributed to the increase. New additions to the restaurant group were also a factor.

The gains were offset by previous closeouts in the used auto dealership classification.

Adjusted for accounting aberrations, taxable sales for all of Contra County increased 7.2% over the comparable time period while the nine-county bay region as a whole was up 8.3%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

Ace Hardware	Kohls
Arco AM PM	Quick Stop
AT&T Mobility	Raleys
Babies R Us	Ross
Best Buy	Safeway
Big B Lumber	Save Mart
Bill Brandt Ford	TJ Maxx
Brentwood Service Station	Tower Mart
Chevron	Tri City Auto Plaza
CVS Phamacy	Vintners Distributors
Dallas Shanks Services	Walgreens
Home Depot	Winco Foods
Home Goods	

Revenue Comparison

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	$2,373,183	$2,531,855
County Pool	346,356	340,796
State Pool	1,733	320
Gross Receipts	$2,721,272	$2,872,971
Cty/Cnty Share	(68,032)	(71,824)
Net Receipts	**$2,653,241**	**$2,801,147**
Less Triple Flip*	$(663,310)	$(700,287)

**Reimbursed from county compensation fund*

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NOTES

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

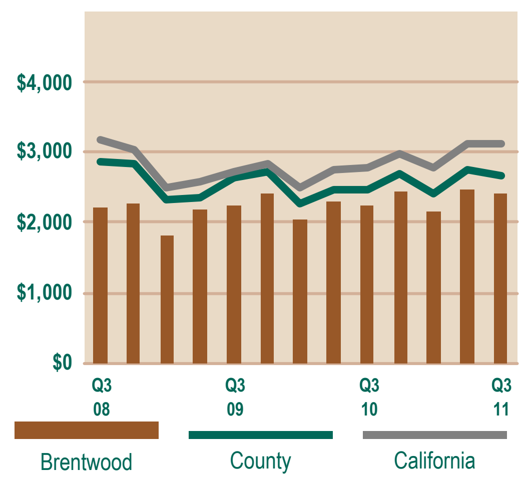
Sales Tax and the Internet

In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted in legislation (AB 155) that requires in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than $1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

Sales Per Capita



Brentwood Top 15 Business Types

Business Type	Brentwood Q3 '11*	Brentwood Change	County Change	HdL State Change
Auto Repair Shops	21.4	10.3%	11.8%	4.8%
Automotive Supply Stores	44.5	11.0%	9.7%	12.4%
Drug Stores	30.1	6.6%	2.8%	6.2%
Electronics/Appliance Stores	66.0	7.3%	-4.0%	-9.1%
Family Apparel	104.8	2.9%	5.3%	7.9%
Grocery Stores Liquor	94.9	6.2%	6.9%	10.7%
Home Furnishings	33.8	-3.8%	-0.1%	7.4%
Lumber/Building Materials	— CONFIDENTIAL —		2.9%	4.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		7.9%	12.3%
Restaurants Beer And Wine	35.9	16.8%	-1.5%	0.9%
Restaurants Liquor	43.4	14.0%	6.0%	10.8%
Restaurants No Alcohol	89.8	5.8%	10.4%	7.1%
Service Stations	281.3	16.8%	22.2%	20.5%
Specialty Stores	44.2	11.7%	0.5%	7.9%
Used Automotive Dealers	21.0	-49.9%	-8.4%	11.0%
Total All Accounts	**$1,254.0**	**7.3%**	**6.3%**	**9.4%**
County & State Pool Allocation	**193.3**	**8.3%**		
Gross Receipts	**$1,447.2**	**7.4%**		
City/County Share	**(36.2)**	**-7.4%**		
Net Receipts	**$1,411.1**	**7.4%**		

*In thousands