

# Q1 2012



# City of Brentwood Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

## Brentwood In Brief

Receipts for Brentwood's January through March sales were 10.3% higher than the same quarter one year ago. Actual sales activity was up 7.0% when reporting aberrations were factored out.

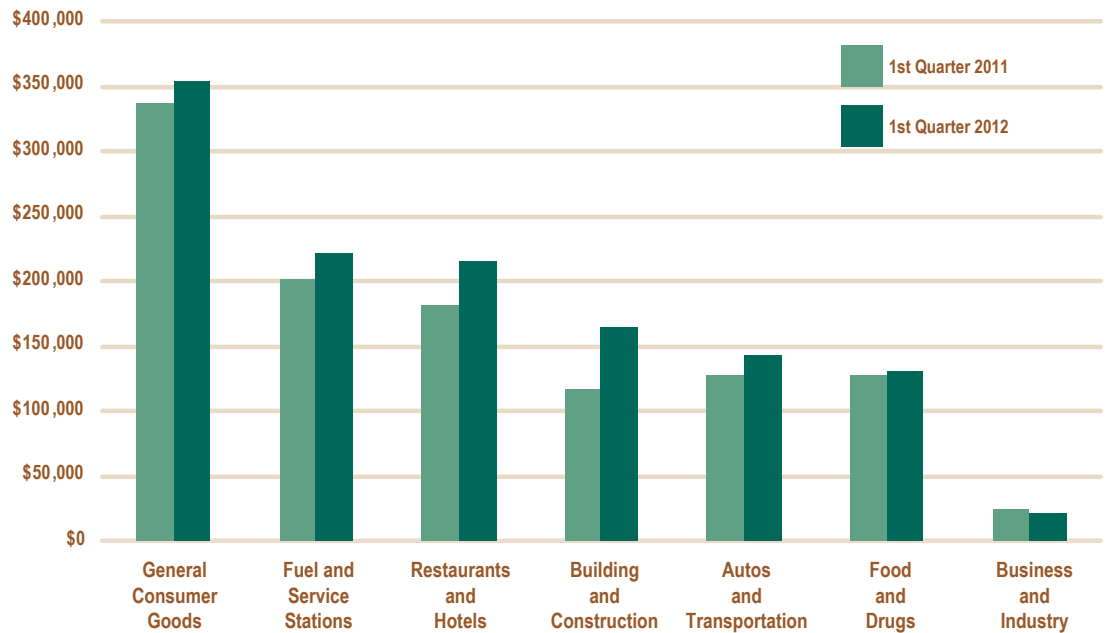
Retroactive adjustments overstated the increase in automobile and building-related sectors. Higher prices boosted returns in fuel and service stations.

Sales activity rose in apparel, shoes stores, specialty stores and electronics while new eateries contributed a large share of the gain in restaurants as a whole.

A taxpayer refund contributed to the loss in business to business receipts.

Adjusted for aberrations, taxable sales for all of Contra Costa County increased 8.2% over the comparable time period, while the Bay Area as a whole was up 8.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

|                           |                       |
|---------------------------|-----------------------|
| Arco AM PM                | Penas Motors          |
| AT&T Mobility             | Raleys                |
| Best Buy                  | Ross                  |
| Bill Brandt Ford          | Safeway               |
| BJs Restaurant            | Save Mart             |
| Brentwood Service Station | TJ Maxx               |
| Chevron                   | Tower Mart            |
| CVS Pharmacy              | Tri City Auto Plaza   |
| Dallas Shanks Services    | Verizon Wireless      |
| Home Depot                | Vintners Distributors |
| Home Goods                | Walgreens             |
| Kohls                     | Winco Foods           |
| Michaels                  |                       |

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

|                          | 2010-11              | 2011-12              |
|--------------------------|----------------------|----------------------|
| Point-of-Sale            | \$4,767,289          | \$5,177,940          |
| County Pool              | 736,353              | 746,533              |
| State Pool               | 2,207                | 1,987                |
| <b>Gross Receipts</b>    | <b>\$5,505,849</b>   | <b>\$5,926,460</b>   |
| <b>Cty/Cnty Share</b>    | <b>(137,646)</b>     | <b>(148,161)</b>     |
| <b>Net Receipts</b>      | <b>\$5,368,202</b>   | <b>\$5,778,298</b>   |
| <b>Less Triple Flip*</b> | <b>\$(1,342,051)</b> | <b>\$(1,444,575)</b> |

\*Reimbursed from county compensation fund

## Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

## The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

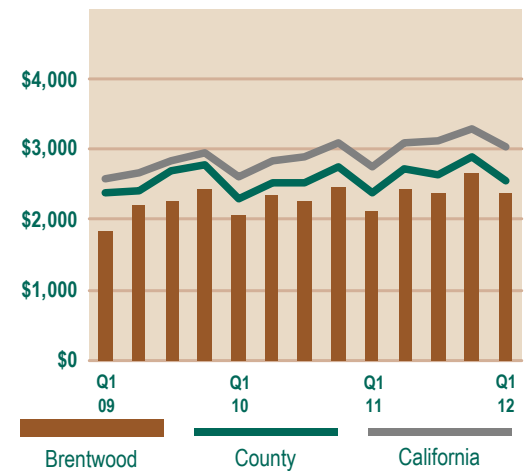
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

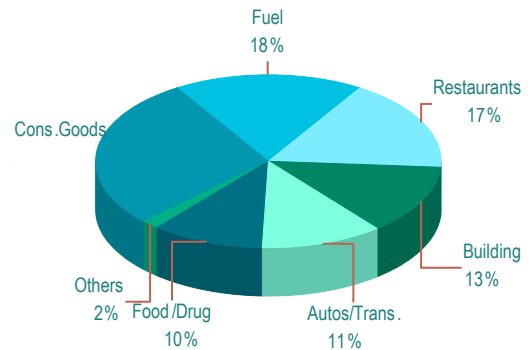
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP

Brentwood This Quarter



## BRENTWOOD TOP 15 BUSINESS TYPES

| Business Type                             | Brentwood        |               | County      | HdL State   |
|---|------------------|---------------|-------------|-------------|
|   | Q1 '12*          | Change        | Change      | Change      |
| Automotive Supply Stores                  | 41.1             | 8.7%          | 18.4%       | 9.4%        |
| Department Stores                         | — CONFIDENTIAL — |               | 5.4%        | 1.2%        |
| Drug Stores                               | 30.2             | 4.4%          | 2.0%        | 3.0%        |
| Electronics/Appliance Stores              | 87.0             | 1.3%          | -2.0%       | 0.5%        |
| Family Apparel                            | 65.2             | 5.7%          | 12.2%       | 11.9%       |
| Grocery Stores Liquor                     | 86.4             | 0.6%          | 2.9%        | 5.6%        |
| Home Furnishings                          | 46.6             | 18.4%         | -0.1%       | 6.8%        |
| Lumber/Building Materials                 | — CONFIDENTIAL — |               | 15.6%       | 8.8%        |
| New Motor Vehicle Dealers                 | — CONFIDENTIAL — |               | 14.2%       | 14.5%       |
| Restaurants Beer And Wine                 | 38.3             | -3.8%         | -0.4%       | 3.8%        |
| Restaurants Liquor                        | 66.8             | 51.7%         | 15.4%       | 13.1%       |
| Restaurants No Alcohol                    | 93.9             | 11.5%         | 12.1%       | 9.5%        |
| Service Stations                          | 220.8            | 9.3%          | 1.3%        | 13.3%       |
| Specialty Stores                          | 44.6             | 5.5%          | 5.7%        | 6.4%        |
| Used Automotive Dealers                   | 48.3             | 37.3%         | 22.0%       | 14.0%       |
| <b>Total All Accounts</b>                 | <b>\$1,250.3</b> | <b>11.8%</b>  | <b>6.7%</b> | <b>9.9%</b> |
| <b>County &amp; State Pool Allocation</b> | <b>203.6</b>     | <b>2.2%</b>   |             |             |
| <b>Gross Receipts</b>                     | <b>\$1,453.9</b> | <b>10.3%</b>  |             |             |
| <b>City/County Share</b>                  | <b>(36.3)</b>    | <b>-10.3%</b> |             |             |
| <b>Net Receipts</b>                       | <b>\$1,417.5</b> | <b>10.3%</b>  |             |             |

\*In thousands