

Q2 2014



City of Brentwood Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Brentwood In Brief

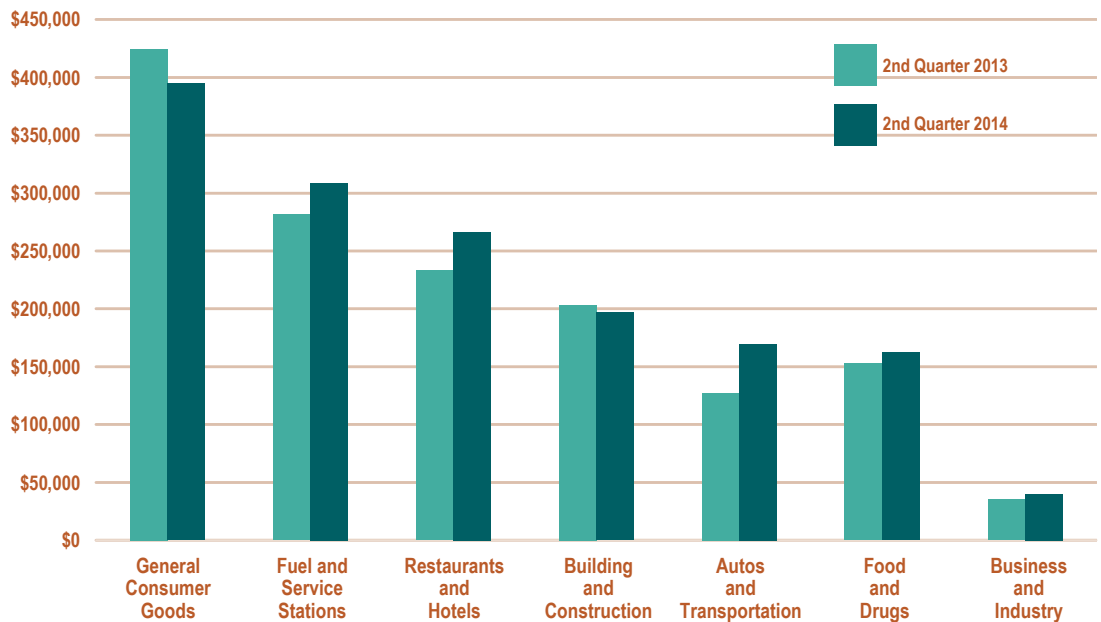
Receipts for Brentwood's April through June sales were 6.5% higher than the same quarter one year ago.

The automotive group posted solid gains that were enhanced by the recent addition of a used car dealer. New outlets were a major factor for the increase in postings from casual dining restaurants. Accounting adjustments overstated service station results and skewed business and industry group comparisons. The larger allocation from the county-wide use tax pool was also a factor for the overall increase.

Business closeouts pared receipts from general consumer goods while sales declined from some categories in the building and construction group. A retroactive adjustment exaggerated losses from electronics/appliances.

Adjusted for aberrations, taxable sales for all of Contra Costa County increased 3.8% over the same time period; the Bay Area as a whole was up 6.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Kohls
Arco AM PM	Los Primos Auto Plaza
AT&T Mobility	MJ's Downtown Cafe & Bakery
Best Buy	Quick Stop
Big B Lumber	Ross
Bill Brandt Ford	Safeway
Brentwood Chevron	Save Mart
Brentwood Ready Mix	TJ Maxx
Brentwood Service Station	Tower Mart
Chevron	Vintners Shell Stations
Circle K Gas	Walgreens
Dallas Shanks Chevron	Winco Foods
Home Depot	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,457,482	\$1,538,208
County Pool	208,155	235,232
State Pool	1,036	1,205
Gross Receipts	\$1,666,673	\$1,774,646
Cty/Cnty Share	(41,667)	(44,366)
Net Receipts	\$1,625,007	\$1,730,280
Less Triple Flip*	\$(406,252)	\$(432,570)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

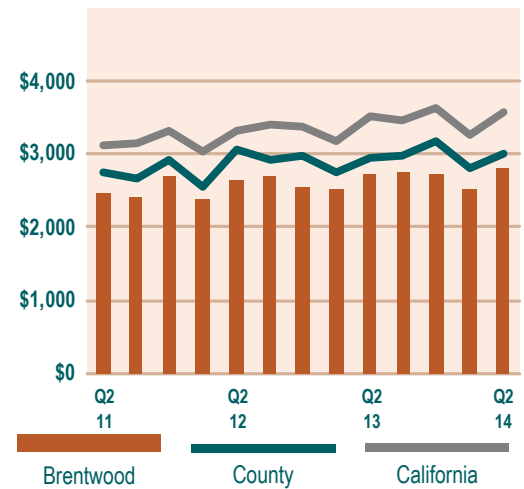
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

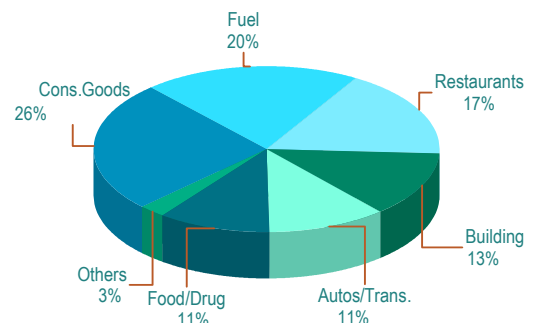
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Brentwood This Quarter**



BRENTWOOD TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Brentwood Q2 '14*	Brentwood Change	County Change	HdL State Change
Automotive Supply Stores	48.8	3.4%	-1.9%	2.4%
Casual Dining	106.6	29.1%	7.8%	3.6%
Contractors	— CONFIDENTIAL —	—	-18.0%	14.4%
Department Stores	— CONFIDENTIAL —	—	-5.0%	2.0%
Drug Stores	— CONFIDENTIAL —	—	7.8%	10.0%
Electronics/Appliance Stores	82.1	-13.5%	-0.5%	-1.0%
Family Apparel	76.6	0.1%	8.6%	9.6%
Grocery Stores Liquor	108.0	6.8%	5.5%	5.7%
Home Furnishings	49.0	6.7%	2.0%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	14.6%	9.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	5.0%	7.4%
Quick-Service Restaurants	86.6	2.3%	5.4%	6.7%
Service Stations	308.6	9.6%	5.7%	6.7%
Specialty Stores	59.2	1.2%	4.7%	7.8%
Used Automotive Dealers	35.3	53.3%	27.2%	9.9%
Total All Accounts	\$1,538.2	5.5%	3.6%	2.8%
County & State Pool Allocation	\$236.4	13.0%	10.9%	12.7%
Gross Receipts	\$1,774.6	6.5%	4.5%	3.9%
City/County Share	(44.4)	-6.5%		
Net Receipts	\$1,730.3	6.5%		