

Q2 2016



City of Brentwood Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

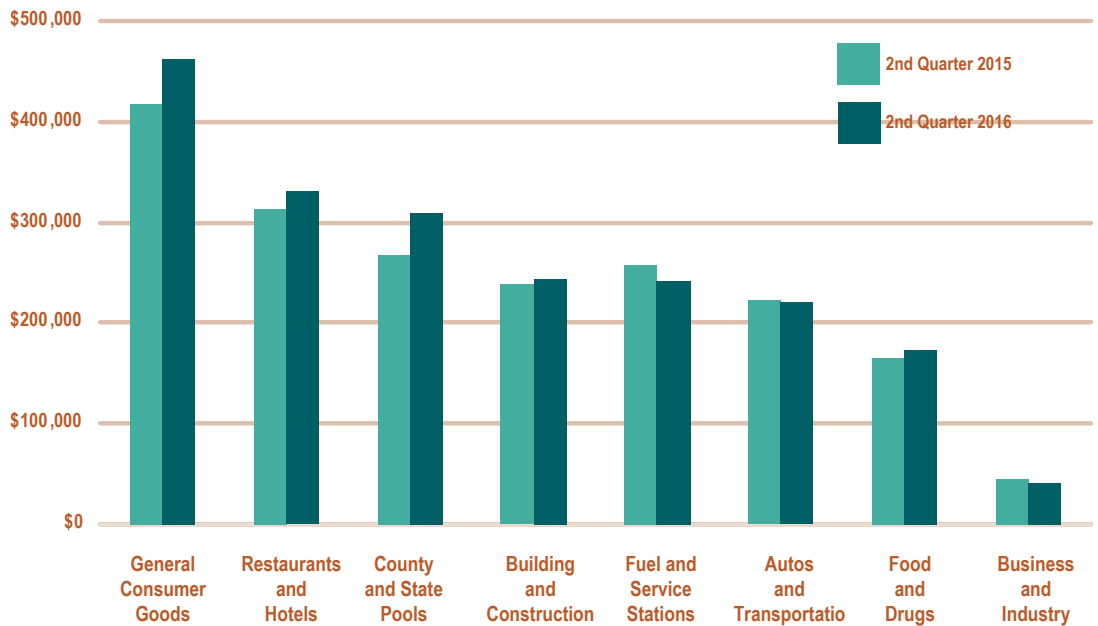
Brentwood In Brief

Brentwood's allocation of sales and use tax from its April through June sales was 5.3% higher than last year's spring quarter. Actual sales activity was up 4.7% after factoring for accounting anomalies.

The primary contributors to the actual increase were a solid quarter for consumer electronics, home furnishings and restaurants plus a rise in the countywide use tax allocation pool of which the City received a 4.9% share. The gains were partially offset by declining fuel prices and by cut backs in sales of contractor materials.

Adjusted for aberrations, sales and use tax receipts for all of Contra Costa County declined 0.3% over the comparable time period while the nine county bay area as a whole was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Kohls
Arco AM PM	Los Primos 2
AT&T Mobility	Oaklet Petro
Best Buy	Quick Stop
Big B Lumber	Ross
Bill Brandt Ford	Safeway
BJs Restaurant	TJ Maxx
Brentwood Ready Mix	Ulta
Chevron (2)	Verizon
Circle K Gas	Walgreens
Colonial Energy	Winco Foods
Food Maxx	
Home Depot	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,656,573	\$1,717,323
County Pool	265,909	308,774
State Pool	1,432	618
Gross Receipts	\$1,923,914	\$2,026,715
Cty/Cnty Share	(48,098)	(50,668)
Net Receipts	\$1,875,816	\$1,976,047
Less Triple Flip*	\$(468,954)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

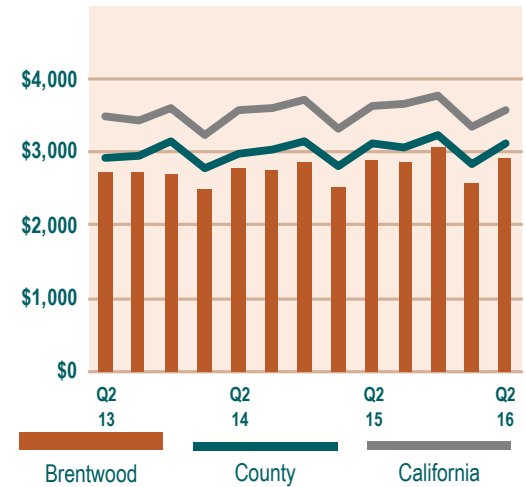
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

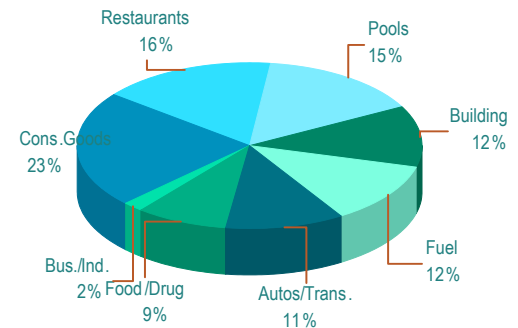
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brentwood This Quarter



BRENTWOOD TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Brentwood Q2 '16*	Change	County Change	HdL State Change
Automotive Supply Stores	53.3	15.5%	2.7%	1.5%
Casual Dining	155.1	4.8%	5.4%	4.4%
Contractors	47.7	-12.2%	47.3%	6.3%
Department Stores	—	CONFIDENTIAL	-2.0%	-4.3%
Drug Stores	—	CONFIDENTIAL	-0.8%	0.5%
Electronics/Appliance Stores	113.0	13.6%	19.7%	22.4%
Family Apparel	85.7	4.2%	7.9%	4.3%
Grocery Stores Liquor	110.2	4.2%	2.5%	1.1%
Home Furnishings	62.8	34.3%	8.1%	1.3%
Lumber/Building Materials	—	CONFIDENTIAL	0.7%	3.3%
New Motor Vehicle Dealers	—	CONFIDENTIAL	2.9%	2.7%
Quick-Service Restaurants	108.3	9.6%	5.4%	6.6%
Service Stations	242.3	-6.3%	-19.4%	-19.2%
Specialty Stores	68.8	13.9%	3.1%	2.4%
Used Automotive Dealers	38.9	-17.3%	18.1%	11.0%
Total All Accounts	1,717.3	3.7%	1.2%	-0.6%
County & State Pool Allocation	309.4	15.7%	13.0%	15.2%
Gross Receipts	2,026.7	5.3%	2.9%	1.4%
City/County Share	(50.7)	-5.3%		
Net Receipts	1,976.0	5.3%		