

# Q4 2016



# City of Brentwood Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

## Brentwood In Brief

Brentwood's October through December receipts were 7.0% above the same quarter in 2015. Excluding reporting aberrations, actual sales were up 5.3%.

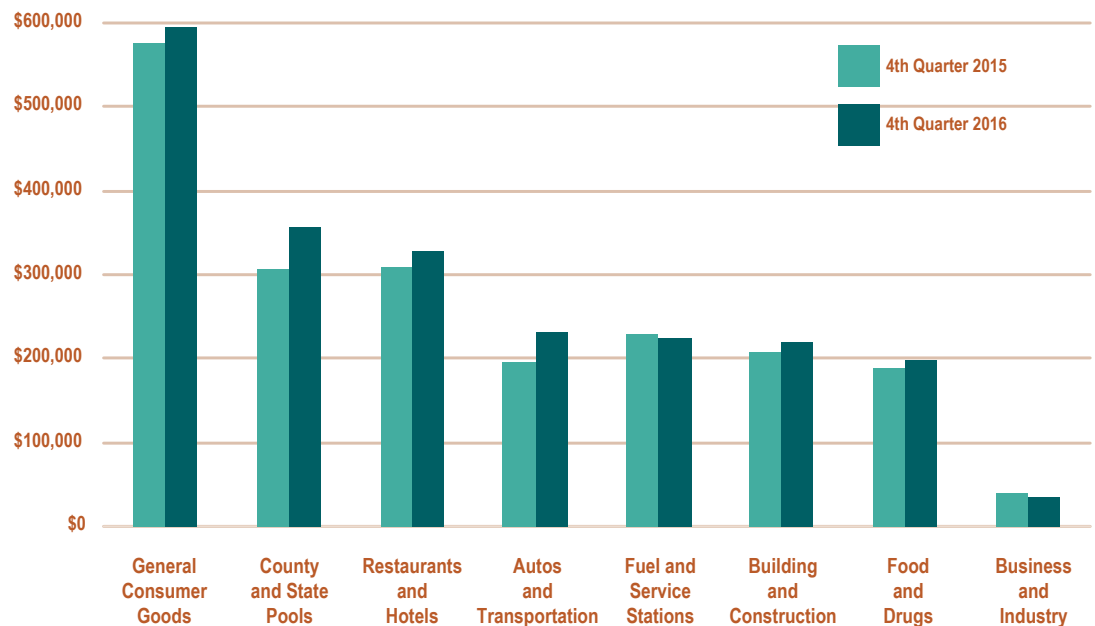
Seasonal holiday shoppers aided growth in general consumer goods, price conscience buyers boosted sales in women's and family apparel and specialty stores. New business additions and continued consumer interest in dining out led to solid restaurant and hotels results.

A rise in tax revenues from online purchases coupled with a bump in the City's allocation factor yielded a 16% increase in use tax distributed via the countywide allocation pool. Autos and transportation activity was brisk, producing returns that were higher than last year.

Double payments that inflated the comparison quarter were largely responsible for depressing the fuel group, after removing this anomaly, service stations receipts were positive for the first time in several quarters. Building and construction reflected gains from various material supplier categories which were partially offset by a drop from contractors.

Net of aberrations, taxable sales for all of Contra Costa County grew 3.5% over the comparable time period; the Bay Area was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Michaels
Arco AM PM	Oaklet Petro
AT&T Mobility	Raleys
Best Buy	Ross
Big B Lumber	Safeway
Bill Brandt Ford	Speedee Oil Change & Tune Up Midas
BJs Restaurant	TJ Maxx
Brentwood Ready Mix	Ultra Beauty
Chevron	Verizon Wireless
Colonial Energy	Victoria's Secret
Home Depot	Walgreens
Home Goods	Winco Foods
Kohls	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$5,028,153	\$5,267,688
County Pool	842,111	975,538
State Pool	5,817	3,195
<b>Gross Receipts</b>	<b>\$5,876,081</b>	<b>\$6,246,420</b>
Cty/Cnty Share	(146,902)	(156,161)
<b>Net Receipts</b>	<b>\$5,729,179</b>	<b>\$6,090,260</b>
Less Triple Flip*	\$ (1,432,295)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

**The Shrinking, Disappearing Retail Store**

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

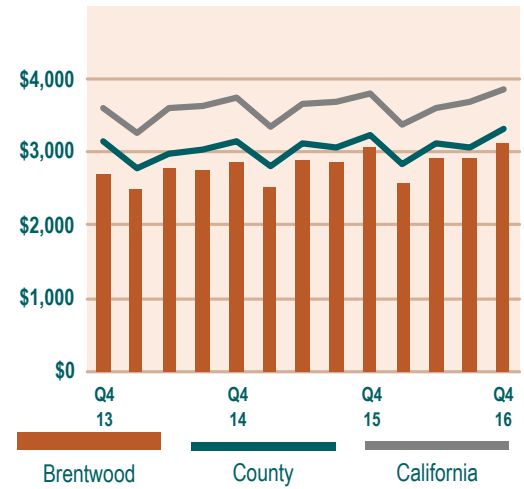
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

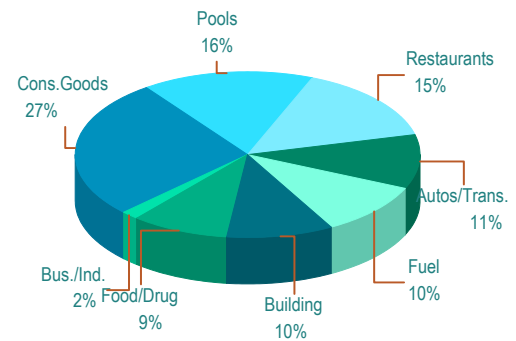
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Brentwood This Quarter



**BRENTWOOD TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Brentwood Q4 '16*	Change	County Change	HdL State Change
Automotive Supply Stores	49.1	-0.8%	0.2%	0.0%
Building Materials	164.3	8.6%	8.1%	0.7%
Casual Dining	156.0	7.0%	4.4%	2.9%
Department Stores	— CONFIDENTIAL —	—	-2.8%	-5.6%
Drug Stores	— CONFIDENTIAL —	—	8.9%	10.2%
Electronics/Appliance Stores	158.7	-7.3%	-4.3%	-1.3%
Family Apparel	114.2	7.2%	7.9%	4.7%
Grocery Stores	142.4	5.5%	1.6%	4.1%
Home Furnishings	54.2	16.5%	6.5%	0.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	9.0%	5.6%
Quick-Service Restaurants	109.9	9.3%	5.8%	5.7%
Service Stations	224.7	-2.1%	0.7%	-0.9%
Specialty Stores	89.4	10.3%	0.1%	3.7%
Used Automotive Dealers	37.2	30.1%	2.1%	7.6%
Women's Apparel	39.1	2.3%	10.3%	-0.5%
<b>Total All Accounts</b>	<b>1,835.0</b>	<b>5.4%</b>	<b>3.7%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>357.8</b>	<b>16.2%</b>	<b>14.3%</b>	<b>6.9%</b>
<b>Gross Receipts</b>	<b>2,192.8</b>	<b>7.0%</b>	<b>5.2%</b>	<b>3.0%</b>
City/County Share	(54.8)	-7.0%		
<b>Net Receipts</b>	<b>2,138.0</b>	<b>7.0%</b>		