

Q1 2017



City of Brentwood Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Brentwood In Brief

Brentwood's receipts from January through March were 12.6% above the first sales period in 2016. Excluding reporting aberrations, actual sales were up 9.9%.

The City enjoyed a robust quarter as all major business groups posted higher sales that exceeded regional and statewide trends. The largest cash gain came from a 29.7% increase in the City's allocation from the countywide use tax pool, a result of increased on-line shopping and onetime use tax payments.

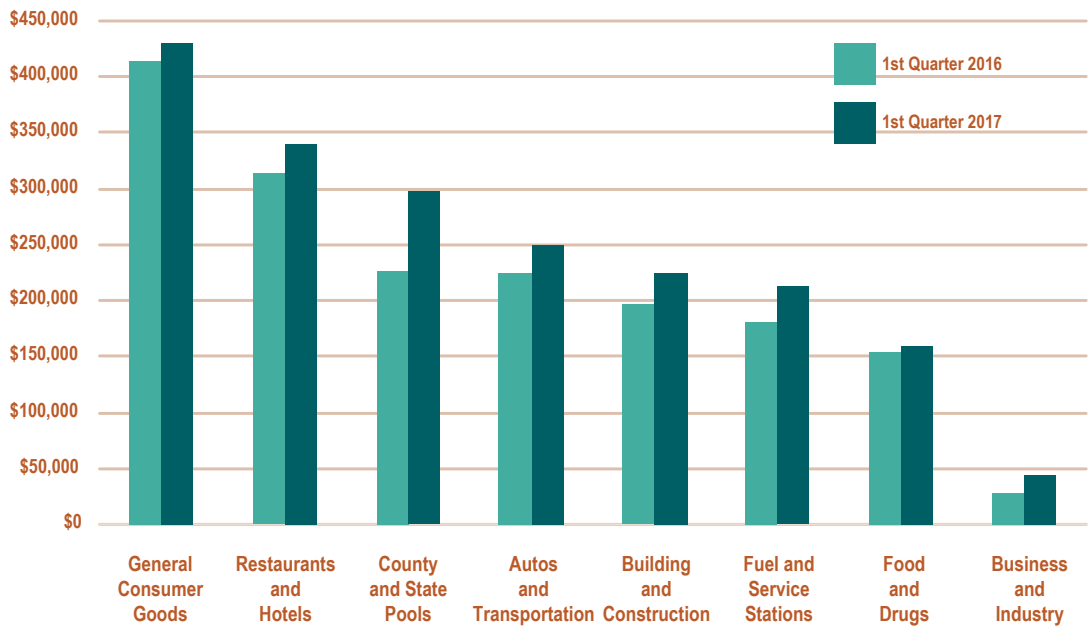
Service station receipts were up 17.7% as retail gas prices continued to rise in the first quarter. The City also experienced very strong sales growth from building materials and the automotive sector.

Higher sales from most dining categories and receipts from a new casual dining eatery boosted the restaurant group. Mixed results from various retail categories that generated a modest overall sales increase and payment aberrations lifted general consumer goods.

A recently opened grocery store and a new garden/agricultural outlet were largely responsible for the gains in and food and drugs and business and industry, respectively.

Net of aberrations, taxable sales for all of Contra Costa County grew 3.3% over the comparable time period; the Bay Area was up 1.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	El Camino Restaurant
Arco AM PM	Home Depot
AT&T Mobility	Home Goods
Best Buy	Kohls
Big B Lumber	Los Primos 2
Bill Brandt Ford	Oaklet Petro
BJs Restaurant	Ross
Brentwood Ready Mix	Safeway
Chevron	TJ Maxx
Circle K Gas	Ulta Beauty
Colonial Energy	Verizon Wireless
Dallas Shanks Chevron	Walgreens
	Winco Foods

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$6,542,721	\$6,930,404
County Pool	1,069,272	1,270,137
State Pool	4,831	5,616
Gross Receipts	\$7,616,824	\$8,206,157
Cty/Cnty Share	(190,421)	(205,154)
Net Receipts	\$7,426,404	\$8,001,003
Less Triple Flip*	\$ (1,432,295)	\$0

*Reimbursed from county compensation fund

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Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

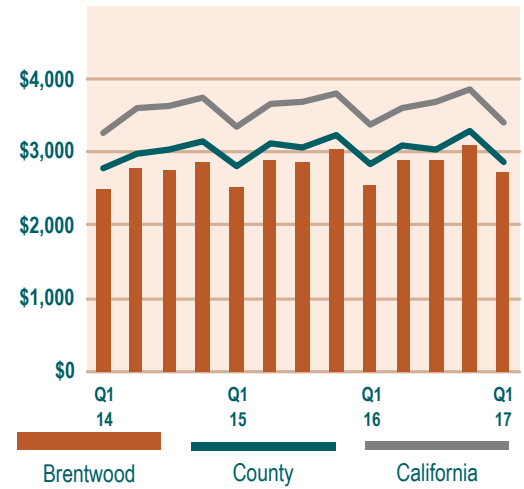
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

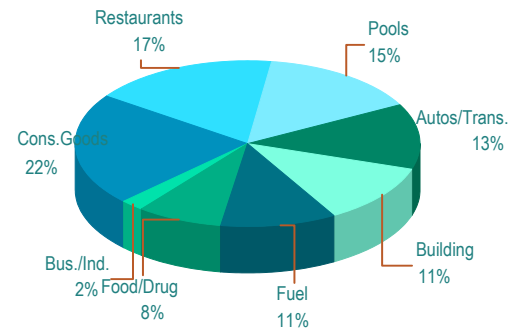
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brentwood This Quarter



BRENTWOOD TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Brentwood Q1 '17*	Change	County Change	HdL State Change
Auto Repair Shops	38.9	8.7%	8.6%	5.2%
Automotive Supply Stores	51.1	-2.7%	-7.1%	0.0%
Building Materials	173.6	21.3%	5.8%	3.2%
Casual Dining	164.5	7.1%	0.2%	0.3%
Contractors	33.3	-18.1%	-4.4%	-3.7%
Drug Stores	—	CONFIDENTIAL	-1.0%	-2.5%
Electronics/Appliance Stores	112.8	-2.5%	-1.7%	-0.2%
Family Apparel	75.4	2.9%	0.9%	0.8%
Grocery Stores	114.2	3.2%	-4.0%	0.5%
Home Furnishings	62.5	23.2%	-1.6%	-1.9%
New Motor Vehicle Dealers	—	CONFIDENTIAL	5.3%	4.4%
Quick-Service Restaurants	113.7	10.1%	5.0%	4.6%
Service Stations	212.2	17.7%	11.1%	9.9%
Specialty Stores	65.8	4.8%	1.9%	0.2%
Used Automotive Dealers	42.4	0.2%	-6.0%	1.9%
Total All Accounts	1,662.7	9.8%	2.7%	1.8%
County & State Pool Allocation	297.0	31.3%	22.9%	2.9%
Gross Receipts	1,959.7	12.6%	5.3%	1.9%
City/County Share	(49.0)	-12.6%		
Net Receipts	1,910.7	12.6%		