

Q3 2017



City of Brentwood Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Brentwood In Brief

Brentwood's receipts from July through September were 7.7% above the third sales period in 2016.

The restaurant and hotels group posted hearty gains from quick-service and casual dining locations; a multi quarter accounting adjustment overinflated results from fine dining venues. Service stations benefited from price hikes expected with summer fuel blends; plus a newer location that added first time taxes in this third quarter.

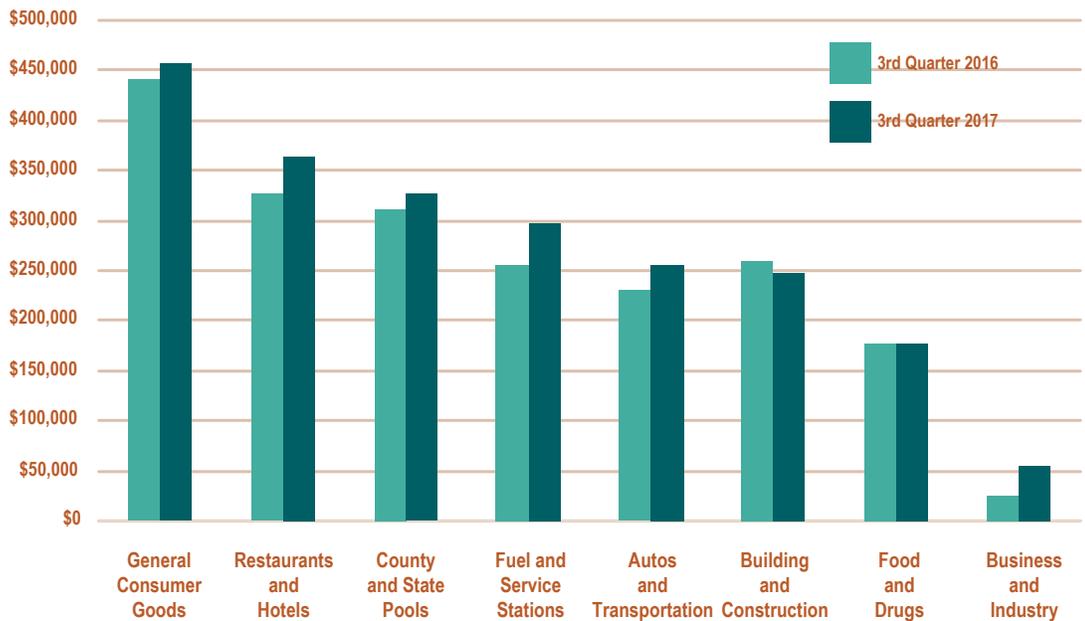
Online shopping and out-of-state equipment purchases were strong enough to overcome a dip in private party auto sales; the net result was a larger allocation from the County-wide use tax pool. Buyers spent locally which pushed tax returns up from specialty, electronics and home furnishing stores.

Most sectors within the auto and transportation group posted gains, however, used auto sales declined because of reporting aberrations in the current and comparable quarters.

Building and construction dropped, due to a merchant's negative audit correction; without this anomaly, sales in this category rose slightly.

Net of aberrations, taxable sales for all of Contra Costa County grew 2.7% over the comparable time period; the Bay Area was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Home Depot
AT&T Mobility	Home Goods
Best Buy	Jeffery Way Shell
Big B Lumber	Kohls
Bill Brandt Ford	Los Primos 2
BJs Restaurant & Brewhouse	Oakley Petro
Brentwood Ready Mix	Quik Stop
Caps Oak Street Bar & Grill	Ross
Chevron	Safeway
Circle K Gas	TJ Maxx
Colonial Energy	Ulta Beauty
Dallas Shanks Chevron	Walgreens
	Winco Foods

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$3,432,684	\$3,783,739
County Pool	619,720	622,929
State Pool	1,232	477
Gross Receipts	\$4,053,635	\$4,407,145
Cty/Cnty Share	(101,341)	(110,179)
Net Receipts	\$3,952,294	\$4,296,966

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

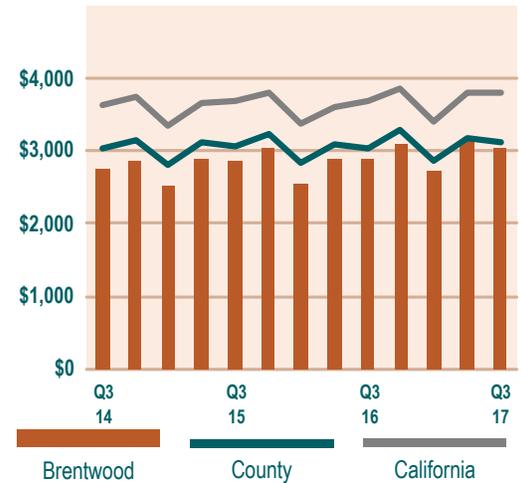
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

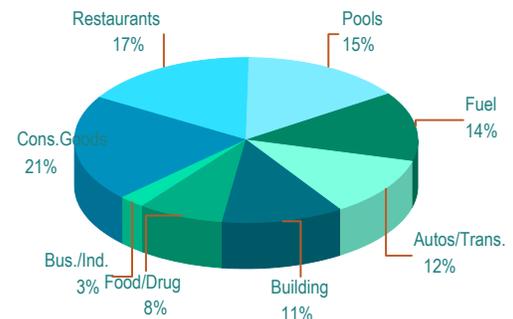
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brentwood This Quarter



BRENTWOOD TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Brentwood Q3 '17*	Change	County Change	HdL State Change
Auto Repair Shops	36.0	1.1%	0.8%	4.1%
Automotive Supply Stores	53.1	1.2%	3.5%	3.6%
Building Materials	198.8	5.6%	12.4%	5.6%
Casual Dining	161.9	9.0%	1.5%	2.2%
Department Stores	— CONFIDENTIAL —	—	-7.4%	-7.5%
Drug Stores	— CONFIDENTIAL —	—	5.2%	7.3%
Electronics/Appliance Stores	112.0	2.7%	1.8%	0.3%
Family Apparel	89.8	2.6%	1.7%	1.7%
Fine Dining	35.6	95.1%	18.0%	9.0%
Grocery Stores	122.6	0.4%	-1.1%	0.6%
Home Furnishings	56.4	8.4%	-1.0%	0.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	2.6%	0.9%
Quick-Service Restaurants	116.2	4.4%	8.1%	4.8%
Service Stations	297.6	17.2%	13.8%	9.2%
Specialty Stores	70.5	9.4%	4.2%	2.2%
Total All Accounts	1,856.0	8.2%	4.2%	4.1%
County & State Pool Allocation	327.7	5.2%	1.3%	4.8%
Gross Receipts	2,183.7	7.7%	3.8%	4.2%
City/County Share	(54.6)	-7.7%		
Net Receipts	2,129.1	7.7%		