

Q1 2018



City of Brentwood Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Brentwood In Brief

Brentwood's receipts from January through March were 2.7% above the first sales period in 2017. Excluding reporting aberrations, actual sales were up 9.8%.

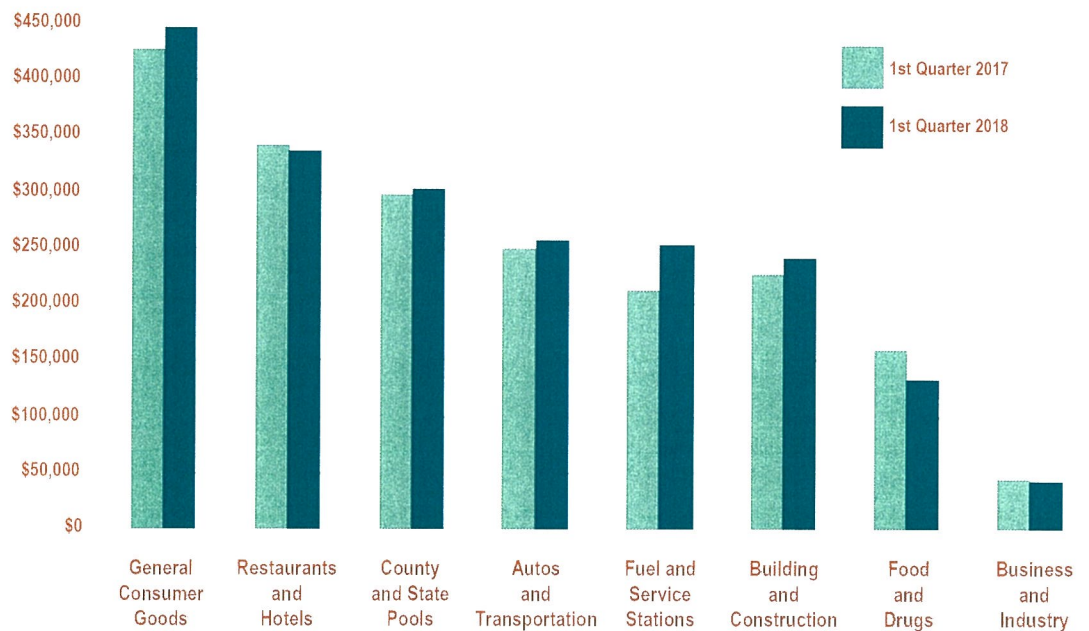
Missing payments due to the state's transition to a new software system cutback results in food and drugs. Similar occurrences accounted for the decrease in restaurants. Once adjusted, growth in casual dining and quick-service restaurants outpaced regional trends.

Sore closeouts reduced post holiday receipts in general retail. However, most sectors were on the upside including electronics, family apparel and specialty stores.

Higher prices boosted service stations while a delayed payment in used autos understated the 11.2% rise in the autos and transportation group on an actual basis.

Net of aberrations, taxable sales for all of Contra Costa County grew 7.2% over the comparable time; the Bay Area was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Ace Hardware	Dallas Shanks
Arco AM PM	Chevron
AT&T Mobility	Home Depot
Best Buy	Home Goods
Big B Lumber	In N Out Burgers
Bill Brandt Ford	Jeffery Way Shell
BJs Restaurant & Brewhouse	Kohls
Brentwood Chevron	Oakley Petro
Brentwood Ready Mix	Ross
Circle K Gas	Safeway
Colonial Energy	TJ Maxx
CVS Pharmacy	Ulta Beauty
	Verizon Wireless
	Winco Foods

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$6,930,404	\$7,540,540
County Pool	1,270,137	1,281,898
State Pool	5,616	2,613
Gross Receipts	\$8,206,157	\$8,825,052
Cty/Cnty Share	(205,154)	(220,626)
Net Receipts	\$8,001,003	\$8,604,426

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

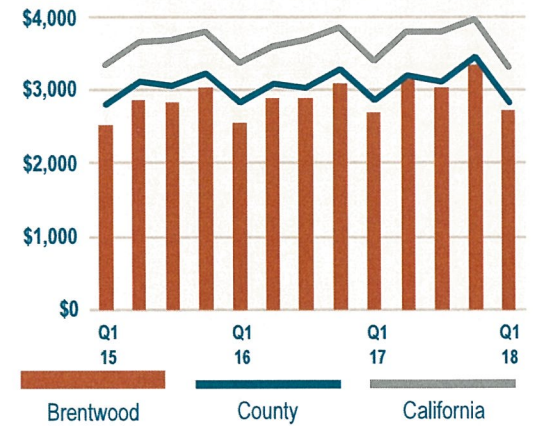
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

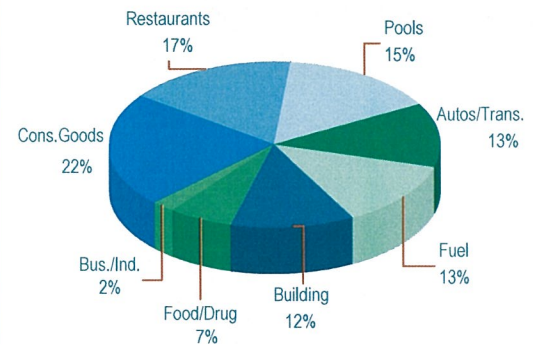
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brentwood This Quarter



BRENTWOOD TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Brentwood Q1 '18*	Brentwood Change	County Change	HdL State Change
Auto Repair Shops	33.1	-15.0%	-12.1%	-7.5%
Automotive Supply Stores	48.0	-6.0%	-0.7%	-4.0%
Building Materials	192.0	10.6%	10.2%	3.8%
Casual Dining	164.8	4.2%	-1.6%	-2.0%
Contractors	32.7	-0.7%	7.0%	21.6%
Department Stores	— CONFIDENTIAL —		-43.6%	-35.1%
Electronics/Appliance Stores	132.6	17.6%	1.6%	0.8%
Family Apparel	83.6	12.7%	12.0%	8.3%
Fast-Casual Restaurants	29.5	6.9%	9.1%	6.8%
Grocery Stores	109.9	-3.8%	-3.4%	1.9%
Home Furnishings	55.3	-11.6%	-3.8%	-1.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-1.0%	-0.2%
Quick-Service Restaurants	101.2	-11.7%	-7.5%	-3.8%
Service Stations	252.0	18.7%	11.9%	4.6%
Specialty Stores	48.4	-22.8%	-12.7%	-10.0%
Total All Accounts	1,708.6	2.8%	-0.2%	-1.8%
County & State Pool Allocation	303.8	2.3%	-0.7%	-2.1%
Gross Receipts	2,012.4	2.7%	-0.3%	-1.8%
City/County Share	(50.3)	-2.7%		
Net Receipts	1,962.1	2.7%		