

Q2 2018



City of Brentwood Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Brentwood In Brief

Brentwood's receipts from April through June were 9.4% below the second sales period in 2017. For the 2nd time this year, the State's software conversion resulted in unusual processing delays. Consequently, sizeable payments remain outstanding. Actual sales after adjusting for all anomalies, would have risen 3.2%.

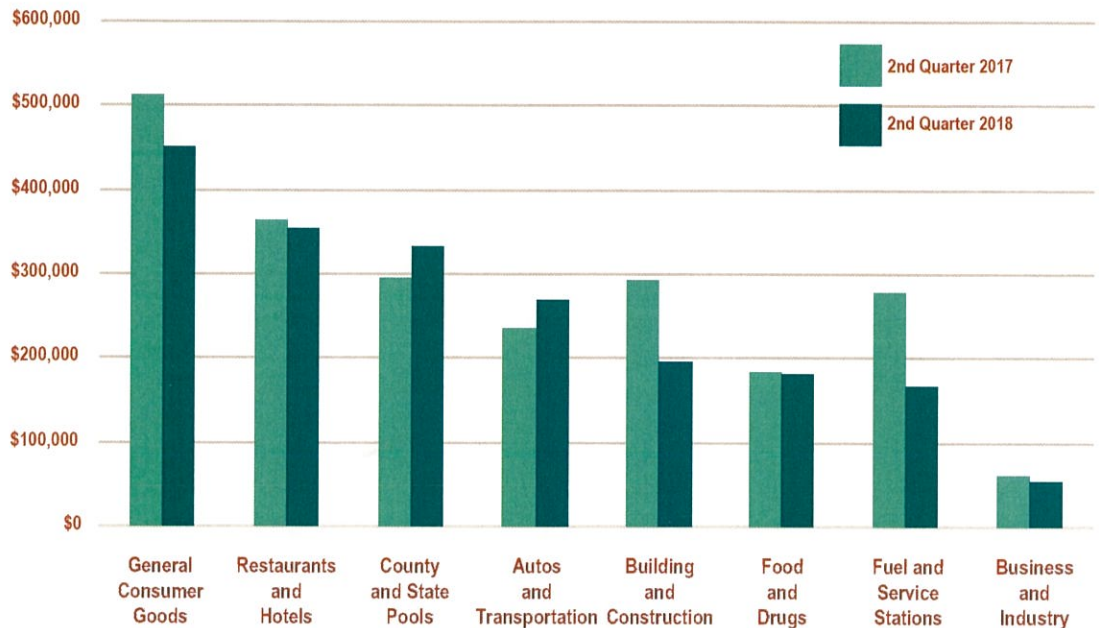
The service station category was the most adversely impacted by missing payments which will be restored in a future quarter. Disbursement omissions combined with unusually high year ago returns accounted for the drop in building and construction.

On an actual basis, general retail was expected to be on the plus side with the exception of home furnishings and women's apparel. Restaurants outperformed regional trends once adjusted for missing payments and temporary deviations.

Auto-related sectors boasted a double digit increase on the heels of consecutive quarterly gains.

Net of aberrations, taxable sales for all of Contra Costa County grew 1.8% over the comparable time period; the Bay Area was up 3.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Home Goods
Arco AM PM	Jeffery Way Shell
AT&T Mobility	Kohls
Best Buy	Petco
Big B Lumber	Quik Stop
Bill Brandt Ford	Red Robin
BJ's Restaurant & Brewhouse	Safeway
Brentwood Chevron	TJ Maxx
Brentwood Ready Mix	Ulta Beauty
Colonial Energy	Verizon Wireless
CVS Pharmacy	Walgreens
Food Maxx	Winco Foods
Home Depot	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$7,140,804	\$7,294,449
County Pool	1,258,124	1,316,599
State Pool	3,975	4,296
Gross Receipts	\$8,402,902	\$8,615,343
Cty/Cnty Share	(210,073)	(215,384)
Net Receipts	\$8,192,830	\$8,399,959

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

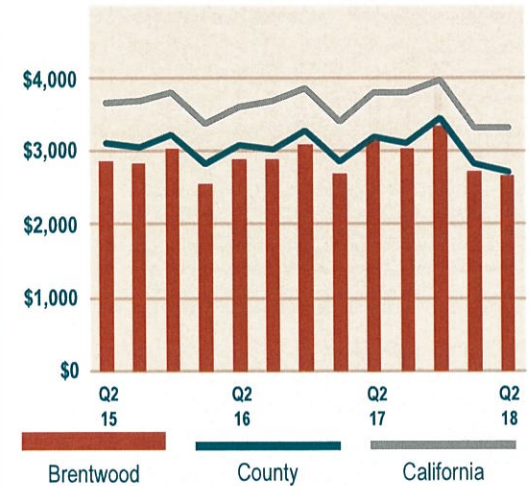
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

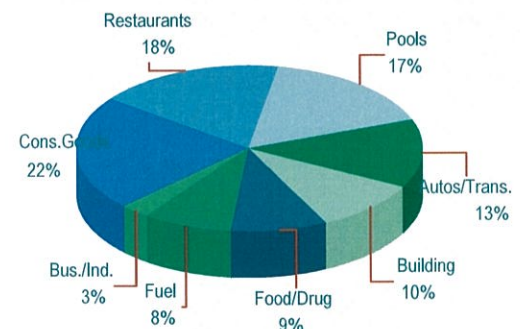
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brentwood This Quarter



BRENTWOOD TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Brentwood		County	HdL State
	Q2 '18*	Change	Change	Change
Automotive Supply Stores	44.6	-17.5%	-20.4%	-11.6%
Building Materials	143.4	-27.9%	-23.1%	-23.2%
Casual Dining	166.3	-3.8%	-16.8%	-12.7%
Contractors	— CONFIDENTIAL —		-17.9%	-10.7%
Department Stores	— CONFIDENTIAL —		16.6%	12.7%
Drug Stores	— CONFIDENTIAL —		-4.1%	-4.2%
Electronics/Appliance Stores	126.0	-10.3%	-14.2%	-5.1%
Family Apparel	59.1	-33.2%	-32.1%	-27.2%
Fast-Casual Restaurants	33.0	7.7%	4.3%	-3.5%
Grocery Stores	131.0	3.3%	-9.7%	-7.0%
Home Furnishings	48.5	-29.2%	-13.0%	-21.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-3.6%	-2.0%
Quick-Service Restaurants	116.5	0.2%	-6.4%	-6.0%
Service Stations	162.6	-41.3%	-30.9%	-26.6%
Specialty Stores	78.1	15.7%	0.9%	-4.6%
Total All Accounts	1,681.6	-12.8%	-13.7%	-12.2%
County & State Pool Allocation	332.1	12.3%	11.1%	5.5%
Gross Receipts	2,013.8	-9.4%	-10.4%	-10.1%
City/County Share	(50.3)	9.4%		
Net Receipts	1,963.4	-9.4%		