

Q3 2018



City of Brentwood Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Brentwood In Brief

Brentwood's receipts from July through September were 15.9% above the third sales period in 2017. Excluding reporting aberrations, actual sales were up 3.9%.

Multi-quarter adjustments to resolve outstanding payments that resulted from the State's software conversion temporarily spiked returns in all business groups and triggered the surge in countywide use tax allocation pool.

Double payments temporarily inflated the growth in family apparel stores, home furnishing stores, quick-service restaurants and casual dining, which all had modest growth on an adjusted basis.

Solid growth in the service stations and the autos-transportation category were further boosted by the temporarily double payments.

Meanwhile, the declines in the business and industry category were lessened by the double payments.

Net of aberrations, taxable sales for all of Contra Costa County grew 7.0% over the comparable time period; the Bay Area was up 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Home Goods
Arco AM PM	Jeffery Way Shell
Balfour Arco	Kohls
Big B Lumber	Los Primos Auto Plaza
Bill Brandt Ford	Quik Stop
BJ's Restaurant & Brewhouse	Ross
Brentwood Chevron	Safeway
Brentwood Petroleum	TJ Maxx
Brentwood Ready Mix	Tri City Auto Plaza
Colonial Energy	Ulta Beauty
Dallas Shanks Services	Verizon Wireless
Home Depot	Walgreens
	Winco Foods

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$1,856,015	\$2,130,076
County Pool	326,168	399,072
State Pool	1,501	1,143
Gross Receipts	\$2,183,684	\$2,530,290
Cty/Cnty Share	(54,592)	(63,257)
Net Receipts	\$2,129,092	\$2,467,033

California Overall

The CDTFAs' problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

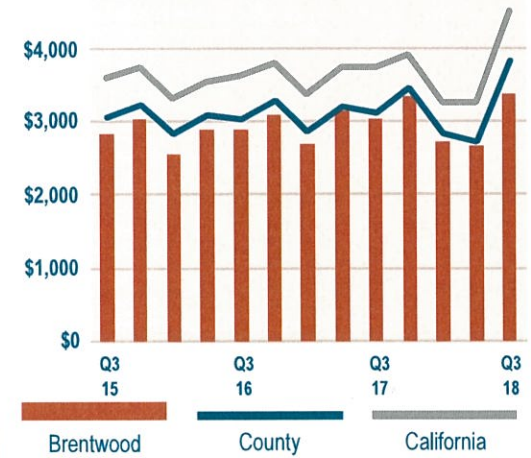
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

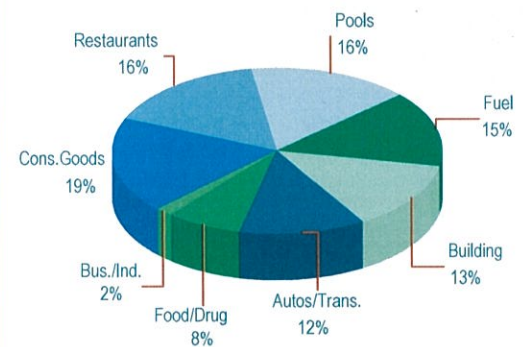
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brentwood This Quarter



BRENTWOOD TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Brentwood Q3 '18*	Brentwood Change	County Change	HdL State Change
Automotive Supply Stores	53.8	1.2%	10.9%	8.4%
Building Materials	— CONFIDENTIAL —	—	39.1%	29.8%
Casual Dining	207.7	13.6%	18.1%	14.8%
Contractors	— CONFIDENTIAL —	—	39.2%	37.6%
Department Stores	— CONFIDENTIAL —	—	-2.3%	-3.6%
Drug Stores	— CONFIDENTIAL —	—	4.8%	2.8%
Electronics/Appliance Stores	63.8	-43.1%	17.3%	12.4%
Family Apparel	132.1	49.2%	44.6%	36.3%
Grocery Stores	137.0	11.0%	16.9%	16.1%
Home Furnishings	66.9	18.7%	19.9%	21.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	9.6%	12.7%
Quick-Service Restaurants	134.7	15.9%	13.8%	13.4%
Service Stations	373.3	25.4%	19.3%	43.1%
Specialty Stores	58.3	-15.6%	-2.4%	8.1%
Used Automotive Dealers	45.1	49.4%	26.6%	46.9%
Total All Accounts	2,130.1	14.8%	23.0%	21.8%
County & State Pool Allocation	400.2	22.1%	30.9%	27.8%
Gross Receipts	2,530.3	15.9%	24.2%	22.6%
City/County Share	(63.3)	-15.9%		
Net Receipts	2,467.0	15.9%		