

Q4 2018



City of Brentwood Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Brentwood In Brief

Brentwood's receipts from October through December were 4.6% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were down 4.4%. The wide disparity between cash receipts and actual sales stems from a business relocation out of the City last year.

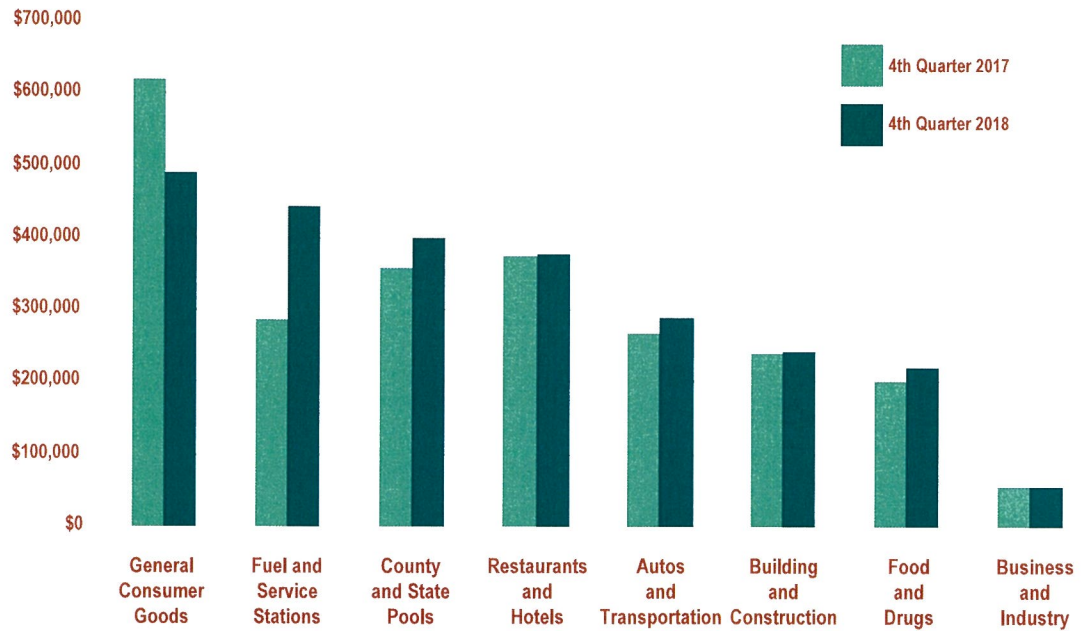
The State remains focused on solving its issues with the transition to a new software system; revenue from prior periods continued to flow to local agencies. Delayed remittances inflated results by service stations, uses automotive dealers and specialty stores. Missing payment suppressed grocery stores, which otherwise rose by 2%.

Account anomalies impacted both comparable quarters in restaurant-hotels; absent all exceptions the group reported 3% activity growth.

Winter month's shopping slowed for merchandise provided by building materials suppliers and family apparel retailers.

Net of aberrations, taxable sales for all of Contra Costa County grew 2.2% over the comparable time period; the Bay Area was up 2.3%.

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
Balfour Arco	Los Primos Auto Plaza
Big B Lumber	Quik Stop
Bill Brandt Ford	Ross
BJ's Restaurant & Brewhouse	Safeway
Brentwood Ready Mix	TJ Maxx
Chevron	Tri City Auto Plaza
Colonial Energy	Ulta Beauty
Dallas Shanks Services	Victoria's Secret
Home Depot	Walgreens
	Winco Foods

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$3,904,205	\$4,249,037
County Pool	682,888	796,277
State Pool	2,110	2,212
Gross Receipts	\$4,589,202	\$5,047,526
Cty/Cnty Share	(114,730)	(126,188)
Net Receipts	\$4,474,472	\$4,921,338

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

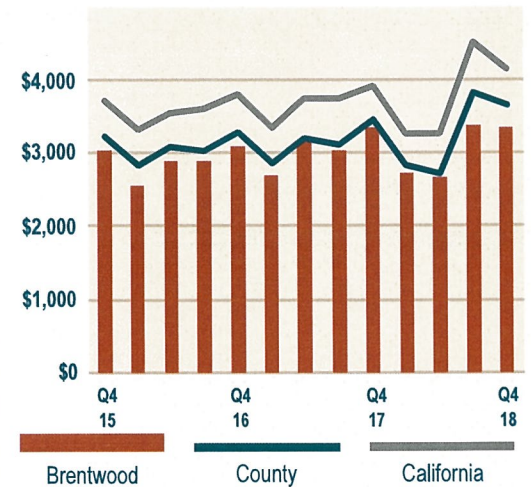
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

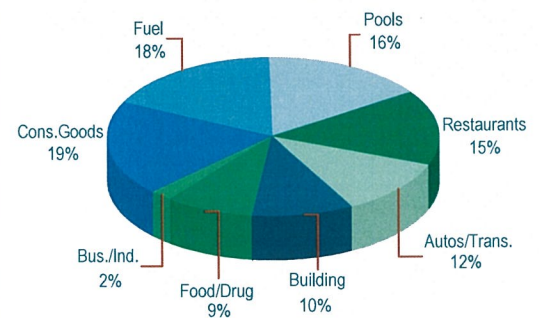
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brentwood This Quarter



BRENTWOOD TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Brentwood Q4 '18*	Change	County Change	HdL State Change
Automotive Supply Stores	47.2	-4.8%	-3.5%	2.8%
Building Materials	183.2	1.3%	0.4%	5.5%
Casual Dining	182.6	-1.3%	0.4%	2.5%
Contractors	— CONFIDENTIAL —		12.0%	17.3%
Department Stores	— CONFIDENTIAL —		10.8%	-3.4%
Drug Stores	— CONFIDENTIAL —		27.2%	21.9%
Electronics/Appliance Stores	36.3	-79.1%	-8.3%	-1.6%
Family Apparel	110.2	-2.0%	-1.5%	0.5%
Grocery Stores	140.1	-3.7%	-7.1%	-11.7%
Home Furnishings	53.7	-5.2%	6.8%	0.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —		8.6%	5.8%
Quick-Service Restaurants	127.2	4.0%	7.1%	6.6%
Service Stations	443.1	64.1%	52.8%	28.5%
Specialty Stores	90.3	0.3%	-9.7%	-10.8%
Used Automotive Dealers	45.2	56.9%	9.5%	5.6%
Total All Accounts	2,119.0	3.5%	7.0%	7.0%
County & State Pool Allocation	398.3	11.5%	15.2%	8.6%
Gross Receipts	2,517.2	4.6%	8.2%	7.2%
City/County Share	(62.9)	-4.6%		
Net Receipts	2,454.3	4.6%		