

# Q1 2019



# City of Brentwood Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

## Brentwood In Brief

Brentwood's receipts from January through March were 4.2% above the first sales period in 2018. Excluding reporting aberrations, actual sales were down 6.8%.

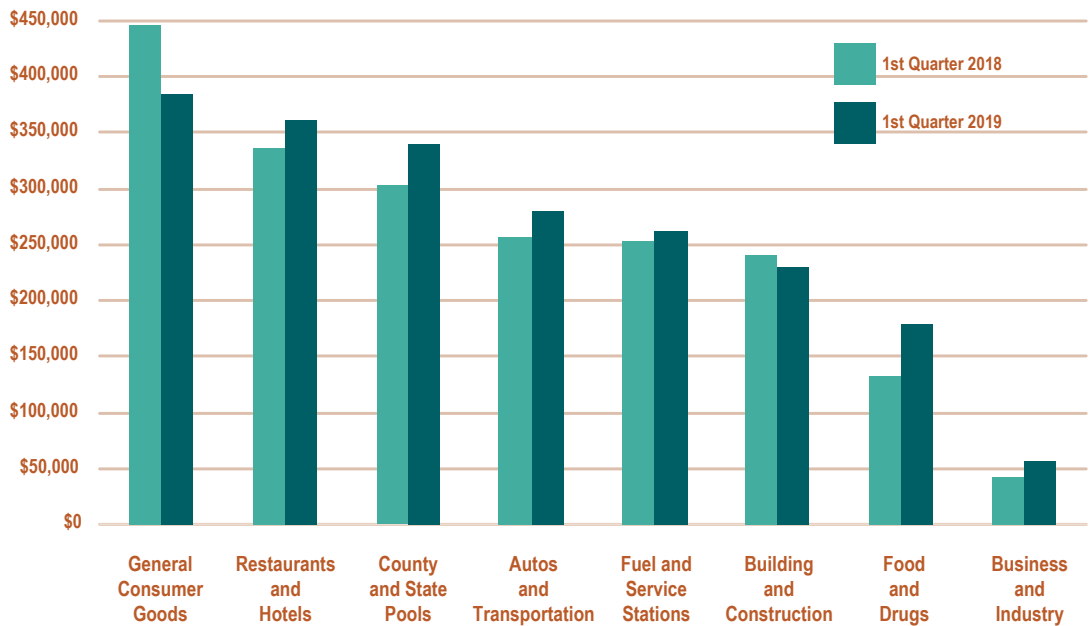
Double payments related to prior quarters overstated the gain in the restaurant and hotel group. A combination of recent closures and openings netted the actual increase of 0.6%.

Recurring CDTFA disbursement issues accounted for the spike in food-drugs and pushed up cash results in the countywide use tax allocation pool and autos-transportation. Used autos benefited from a recent opening.

Recent closeouts in specialty stores, home furnishings and electronics/appliance stores depressed results in post-holiday retail. The loss in this group accounted for the lion's share of the decline in gross receipts compared to a year ago. Once a year ago fund transfer was removed, building related sectors were about even.

Net of aberrations, taxable sales for all of Contra Costa County declined 2.2% over the comparable time period; the Bay Area was down 0.2%.

## 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	Quik Stop
Big B Lumber	Ross
Bill Brandt Ford	Safeway
BJ's Restaurant & Brewhouse	TJ Maxx
Brentwood Chevron	Tractor Supply
Brentwood Ready Mix	Tri City Auto Plaza
Colonial Energy	Ultra Beauty
Dallas Shanks Services	Verizon Wireless
Home Depot	Walgreens
	Winco Foods

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$5,612,816	\$6,006,079
County Pool	985,138	1,135,865
State Pool	3,637	3,244
<b>Gross Receipts</b>	<b>\$6,601,591</b>	<b>\$7,145,188</b>
Cty/Cnty Share	(165,040)	(178,630)
<b>Net Receipts</b>	<b>\$6,436,551</b>	<b>\$6,966,558</b>

**Statewide Results**

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

**Slower Growth Ahead?**

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

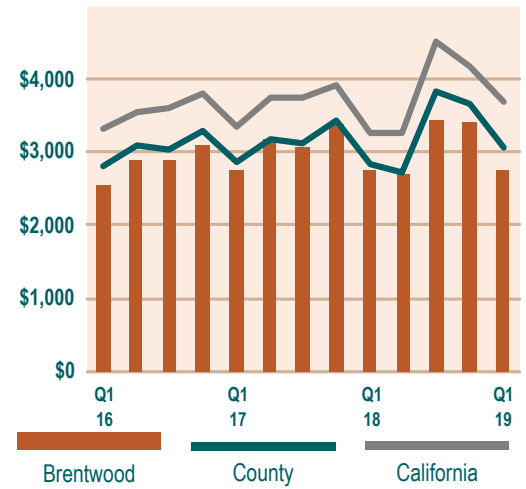
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

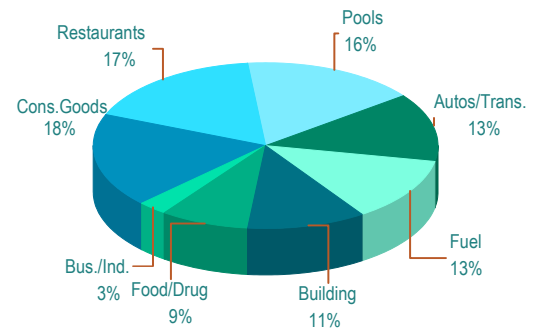
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Brentwood This Quarter



**BRENTWOOD TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Brentwood Q1 '19*	Brentwood Change	County Change	HdL State Change
Auto Repair Shops	41.6	25.8%	18.3%	12.4%
Automotive Supply Stores	48.0	0.0%	4.9%	8.8%
Building Materials	172.7	-10.1%	-3.4%	4.0%
Casual Dining	170.3	-1.3%	12.4%	13.3%
Contractors	35.8	9.5%	-6.7%	4.8%
Drug Stores	— CONFIDENTIAL —	—	52.4%	37.8%
Electronics/Appliance Stores	65.2	-50.6%	-1.6%	-3.2%
Family Apparel	82.8	-1.0%	5.7%	7.1%
Garden/Agricultural Supplies	34.1	46.5%	-16.9%	3.7%
Grocery Stores	125.0	13.0%	12.0%	25.7%
Home Furnishings	54.7	-1.1%	8.0%	3.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-1.9%	-1.8%
Quick-Service Restaurants	123.9	24.0%	11.5%	10.1%
Service Stations	262.5	4.2%	12.6%	15.8%
Specialty Stores	55.7	14.9%	17.5%	23.4%
<b>Total All Accounts</b>	<b>1,757.0</b>	<b>2.8%</b>	<b>8.7%</b>	<b>13.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>340.6</b>	<b>12.1%</b>	<b>18.5%</b>	<b>23.8%</b>
<b>Gross Receipts</b>	<b>2,097.7</b>	<b>4.2%</b>	<b>10.2%</b>	<b>14.9%</b>
City/County Share	(52.4)	-4.2%		
<b>Net Receipts</b>	<b>2,045.2</b>	<b>4.2%</b>		