

Q4 2019



City of Brentwood Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Brentwood In Brief

Brentwood's receipts from October through December were 0.3% below the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 4.1%.

Lingering double payments resulting from the CDTFA software conversion spiked year ago returns in the fuel and service station group. Once adjusted, fuel-related returns were up 4%.

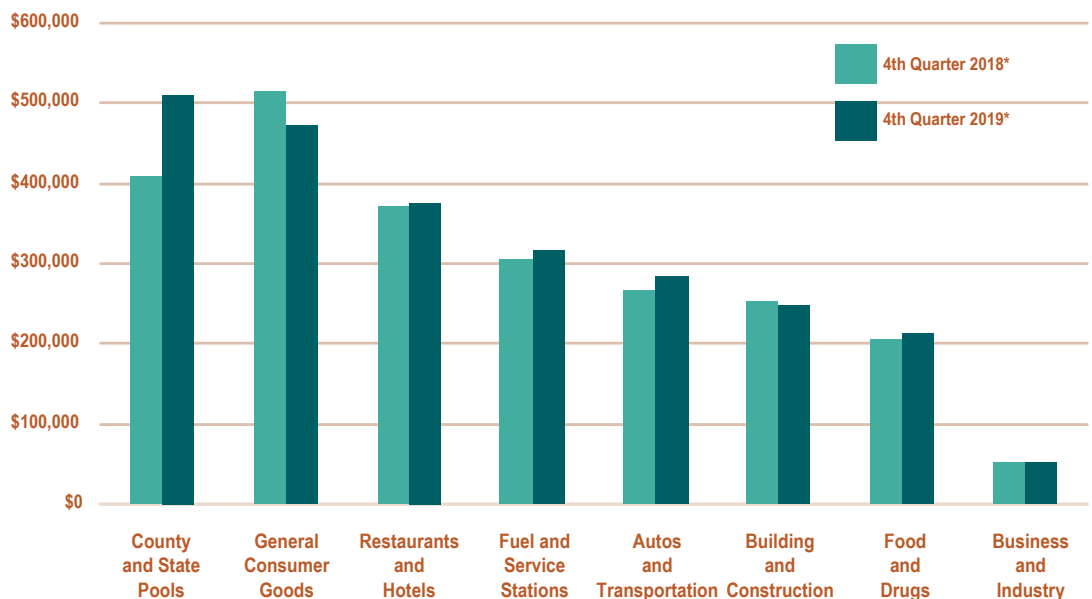
Recent closeouts and late returns hampered actual performance in general retail. Family apparel and department stores were on par with the comparative quarter while specialty stores lagged regional trends.

A combination of recent openings and closures contributed to tepid results in restaurants. Never the less, fast-casual fared the best with a gain of 6.4%.

This was the first quarter for Marketplace Facilitators to remit tax from out of state online sellers. As a result, the City's share of the countywide pool yielded a double digit increase compared to last year.

Net of aberrations, taxable sales for all of Contra Costa County grew 3.9% over the comparable time period; the Bay Area was up 3.9%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Dallas Shanks Services
Arco AM PM	Home Depot
AT&T Mobility	Home Goods
Balfour Arco	Jeffery Way Shell
Big B Lumber	Kohls
Bill Brandt Ford	Quik Stop
BJ's Restaurant & Brewhouse	Ross
Brentwood Chevron	Safeway
Brentwood Ready Mix	TJ Maxx
Chevron	Ultra Beauty
Circle K Gas	Victoria's Secret
Colonial Energy	Walgreens
	Winco Foods

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$4,249,037	\$3,907,123
County Pool	796,277	943,919
State Pool	2,212	1,848
Gross Receipts	\$5,047,526	\$4,852,890
Cty/Cnty Share	(126,188)	(121,322)
Net Receipts	\$4,921,338	\$4,731,568

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

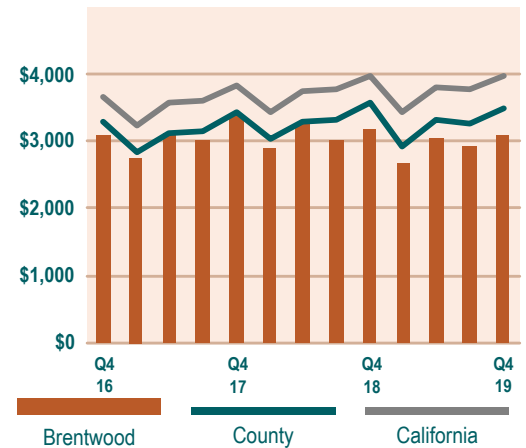
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

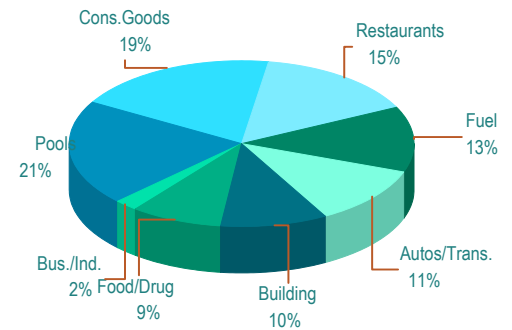
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Brentwood This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

BRENTWOOD TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Brentwood Q4 '19*	Change	County Change	HdL State Change
Auto Repair Shops	34.6	0.5%	2.3%	-1.0%
Automotive Supply Stores	48.9	2.6%	1.7%	0.5%
Building Materials	193.9	1.1%	3.2%	1.4%
Casual Dining	179.6	0.3%	4.7%	3.8%
Contractors	37.1	-2.0%	-5.3%	-4.5%
Department Stores	— CONFIDENTIAL —	—	-7.1%	-4.0%
Drug Stores	— CONFIDENTIAL —	—	-1.0%	-0.7%
Family Apparel	114.6	0.4%	1.9%	1.3%
Fast-Casual Restaurants	35.7	6.4%	6.7%	4.3%
Grocery Stores	157.2	4.3%	-2.2%	1.3%
Home Furnishings	61.8	12.7%	0.4%	-2.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-8.1%	-3.4%
Quick-Service Restaurants	123.9	0.8%	0.4%	1.9%
Service Stations	316.9	4.0%	-6.0%	0.2%
Specialty Stores	77.1	-6.4%	-1.5%	-3.8%
Total All Accounts	1,966.7	-0.1%	-1.5%	0.2%
County & State Pool Allocation	510.0	24.6%	31.2%	26.7%
Gross Receipts	2,476.7	4.1%	3.9%	4.2%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.