

Q1 2020



City of Brentwood Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Brentwood In Brief

Brentwood's receipts from January through March were 14.3% below the first sales period in 2019. Cash allocations were pulled down by eligible companies taking advantage of the extra 90-days to file tax returns under the Governor's recent Executive Order. Excluding reporting aberrations, actual sales were up 2.4%.

The 38.8% increase in the City's share of the countywide use tax allocation pool was the primary driver of higher gross receipts on an actual basis. Allocations climbed upward as recent legislation allowed tax collection from third-party sellers on internet-based market platforms.

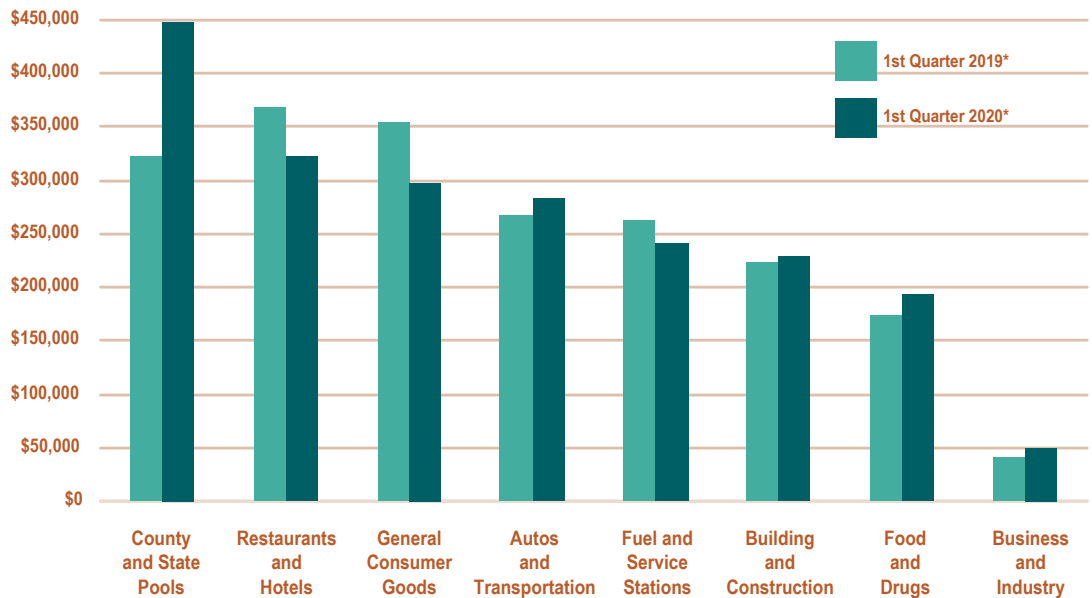
In contrast, consequences were significant as a result of shelter in place declarations in mid-March. Restaurants were adversely impacted reporting large tax reductions while general consumer goods had fewer taxable transactions in most categories.

The decline in gas consumption and plunging fuel prices curtailed service stations.

Essential merchants remained operational all quarter; impacts showed up in growth from grocery and drug stores. In addition, auto-related receipts were up.

Net of aberrations, taxable sales for all of Contra Costa County declined 1.0% over a year ago.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Home Depot
Arco AM PM	Home Goods
Balfour Arco	In N Out Burger
Big B Lumber	Jeffery Way Shell
Bill Brandt Ford	Kohls
BJ's Restaurant & Brewhouse	Quik Stop
Brentwood Ready Mix	Ross
Chevron	Safeway
Circle K Gas	TJ Maxx
Colonial Energy	Ulta Beauty
Dallas Shanks Services	Verizon Wireless
Food Maxx	Walgreens
	Winco Foods

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$6,006,079	\$5,280,964
County Pool	1,135,865	1,367,415
State Pool	3,244	3,153
Gross Receipts	\$7,145,188	\$6,651,533
Cty/Cnty Share	(178,630)	(166,288)
Net Receipts	\$6,966,558	\$6,485,244

NOTES

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

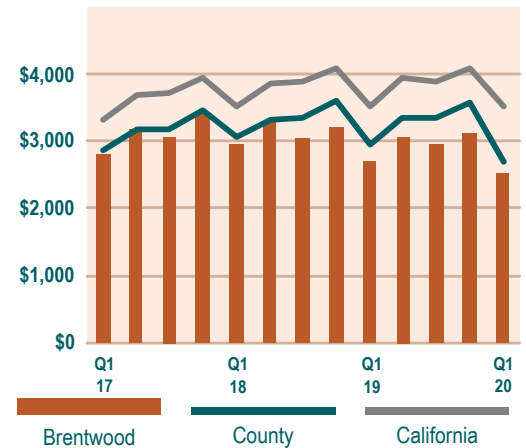
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

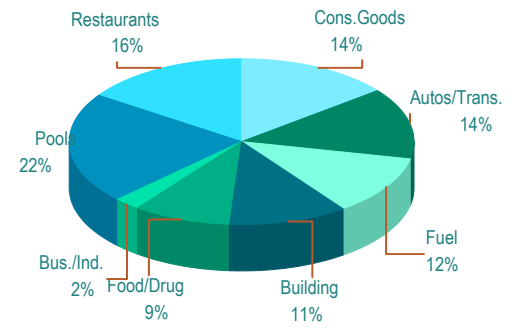
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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 Q1 '20*	Brentwood Change	County Change	HdL State Change
Auto Repair Shops	36.9	3.3%	-6.3%	-7.5%
Automotive Supply Stores	44.2	-7.5%	-9.1%	-9.5%
Building Materials	182.8	5.7%	5.6%	3.0%
Casual Dining	154.4	-15.1%	-21.7%	-18.8%
Drug Stores	—	CONFIDENTIAL	0.1%	3.4%
Electronics/Appliance Stores	33.5	-22.0%	-18.5%	-18.0%
Family Apparel	64.9	-17.1%	-20.4%	-21.1%
Fast-Casual Restaurants	30.7	-11.9%	-9.0%	-9.9%
Grocery Stores	143.7	17.5%	13.8%	11.8%
Home Furnishings	45.3	-14.6%	-14.5%	-13.0%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-12.6%	-10.6%
Quick-Service Restaurants	109.9	-8.1%	-15.2%	-8.5%
Service Stations	240.8	-8.4%	-16.7%	-9.5%
Specialty Stores	49.1	-14.8%	-6.4%	-10.1%
Used Automotive Dealers	33.5	-2.9%	-2.3%	-12.7%
Total All Accounts	1,616.4	-4.5%	-8.1%	-7.3%
County & State Pool Allocation	448.0	38.8%	36.2%	22.4%
Gross Receipts	2,064.4	2.4%	-1.0%	-3.0%

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