

# Q2 2020



# City of Brentwood Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

## Brentwood In Brief

Brentwood's receipts from April through June were 2.4% below the second sales period in 2019 as payments deferred from earlier periods were collected. After adjusting for the payment issues and other reporting corrections, actual sales were down 15.5%.

Second quarter 2020 was the economic bottoming out from the COVID-19 pandemic. With doors closed for all but a few essential businesses, general consumer goods categories reported significant declines in tax revenues.

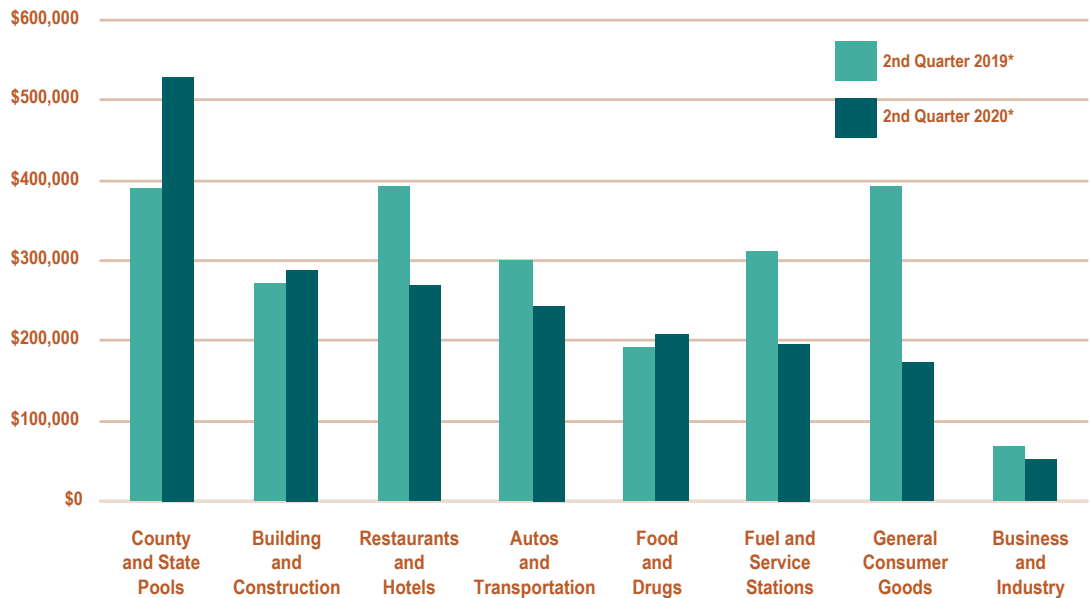
Coronavirus impacts revealed much smaller tax remittances from restaurants. With a 31.4% decline, local eateries fared better than regional counterparts.

Less travel combined with lower prices dragged down receipts in service stations.

Home improvements enhanced sales in building materials. Another bright spot was countywide pool allocations, boosted by stronger on-line sales, mitigated some portion of the point of sale retailer's losses.

Net of aberrations, taxable sales for all of Contra Costa County declined 15.2% over the comparable time period; the Bay Area was down 21.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	In N Out Burger
Arco AM PM	Jeffery Way Shell
Balfour Arco	Kohls
Big B Lumber	Los Primos Auto Plaza
Bill Brandt Ford	Power Market
Brentwood Ready Mix	Quik Stop
Chevron	Raley's
Circle K Gas	Safeway
CVS Pharmacy	Tractor Supply
Dallas Shanks Services	Walgreens
Dollar Tree	Watersavers Irrigation
Food Maxx	Winco Foods
Home Depot	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$7,896,709	\$6,943,369
County Pool	1,510,881	1,917,472
State Pool	4,094	3,856
<b>Gross Receipts</b>	<b>\$9,411,683</b>	<b>\$8,864,697</b>
Cty/Cnty Share	(235,292)	(221,617)
<b>Net Receipts</b>	<b>\$9,176,391</b>	<b>\$8,643,080</b>

## Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

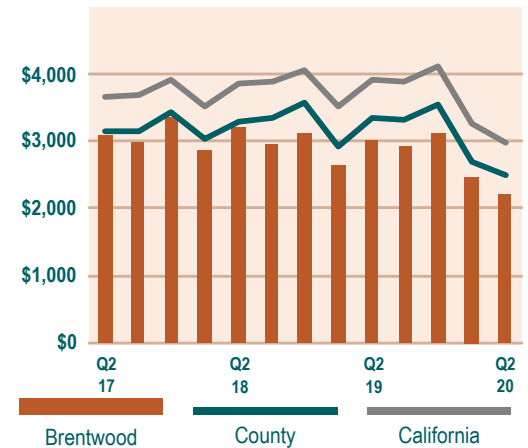
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

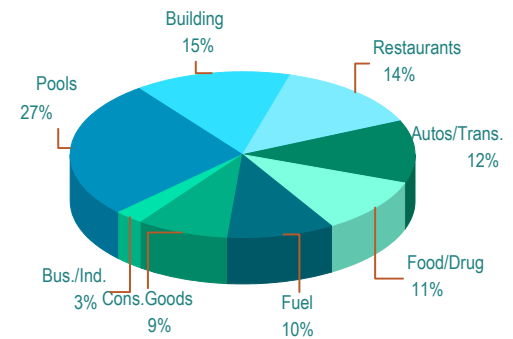
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

## 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 Q2 '20*	Brentwood Change	County Change	HdL State Change
Auto Repair Shops	28.8	-20.4%	-32.9%	-28.2%
Automotive Supply Stores	47.1	-3.1%	-8.6%	-4.7%
Building Materials	238.0	18.9%	7.6%	7.0%
Casual Dining	102.0	-45.2%	-51.7%	-53.2%
Contractors	31.6	-39.8%	-27.7%	-13.0%
Drug Stores	—	CONFIDENTIAL	-2.0%	0.1%
Family Apparel	30.4	-67.8%	-73.2%	-66.3%
Fast-Casual Restaurants	36.2	-4.1%	-25.3%	-30.3%
Garden/Agricultural Supplies	38.2	16.6%	-7.3%	5.5%
Grocery Stores	154.0	13.7%	8.3%	7.8%
Home Furnishings	29.4	-44.6%	-48.3%	-41.7%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-17.6%	-15.8%
Quick-Service Restaurants	118.7	-9.0%	-18.0%	-22.0%
Service Stations	195.5	-37.5%	-49.4%	-45.2%
Used Automotive Dealers	31.9	-12.5%	-19.5%	-20.6%
<b>Total All Accounts</b>	<b>1,432.2</b>	<b>-25.9%</b>	<b>-25.4%</b>	<b>-24.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>528.4</b>	<b>35.6%</b>	<b>36.5%</b>	<b>28.2%</b>
<b>Gross Receipts</b>	<b>1,960.6</b>	<b>-15.5%</b>	<b>-15.2%</b>	<b>-16.4%</b>

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