Q2 2015

City of Brentwood Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Brentwood In Brief

The allocation of sales and use taxes for Brentwood's April through June sales was 8.4% higher than the same quarter one year ago.

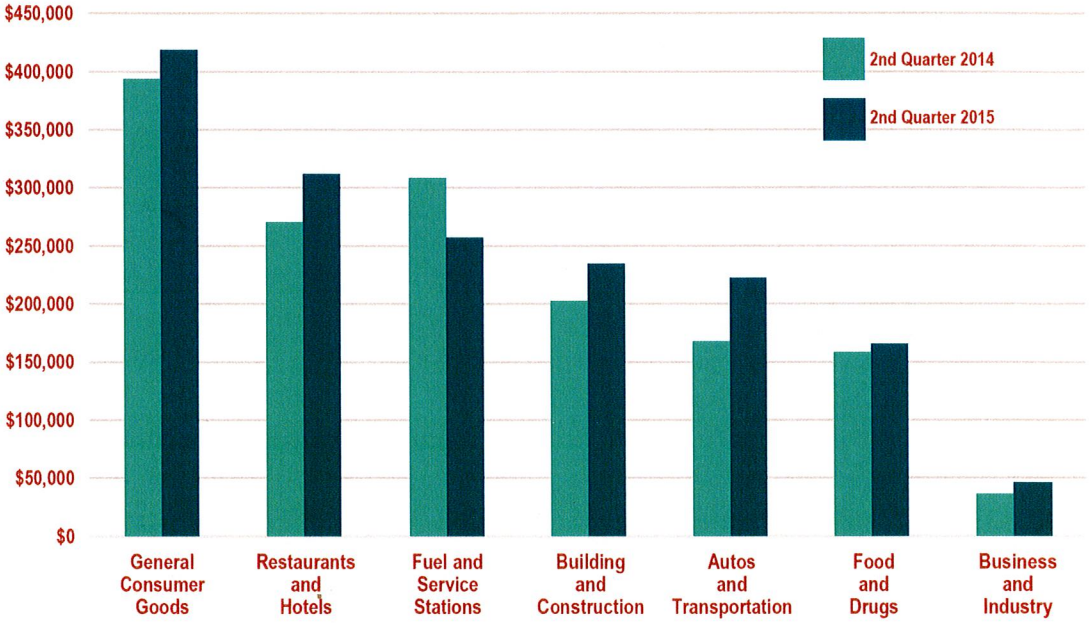
Strong sales from multiple categories within the automotive group were embellished by accounting adjustments. Postings were up from casual dining eateries and some classifications of building and construction materials. Recent additions contributed to increases from family apparel and the business and industry group.

Accounting anomalies that pared last year's receipts overstated gains from consumer electronics-appliances and quick service restaurants. Proceeds from the county use tax pool were also a factor for the overall increase. The pool, which is distributed to the county's cities and unincorporated area based on a ratio of taxable sales, was 13.0% larger than the same quarter of 2014.

A payment adjustment that inflated year-ago returns exaggerated the impact of lower fuel prices on service station receipts.

Net of onetime reporting events, taxable sales for all of Contra Costa County grew 6.8% over the same period; Bay Area totals were up 3.9%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- Ace Hardware
- Arco AM PM
- AT&T Mobility
- Best Buy
- Big B Lumber
- Bill Brandt Ford
- BJs Restaurant & Brewhouse
- Brentwood Chevron
- Brentwood Ready Mix
- Brentwood Service Station
- Chevron
- Circle K Gas
- Dallas Shanks Chevron
- Food Maxx
- Home Depot
- Kohls
- Los Primos Auto Plaza
- Quick Stop
- Ross
- Safeway
- TJ Maxx
- Tower Mart
- Vintners Shell Stations
- Walgreens
- Winco Foods

Revenue Comparison

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	$1,538,208	$1,656,573
County Pool	235,232	265,909
State Pool	1,205	1,432
Gross Receipts	$1,774,646	$1,923,914
Cty/Cnty Share	(44,366)	(48,098)
Net Receipts	**$1,730,280**	**$1,875,816**
Less Triple Flip*	$(432,570)	$(468,954)

**Reimbursed from county compensation fund*

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NOTES

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

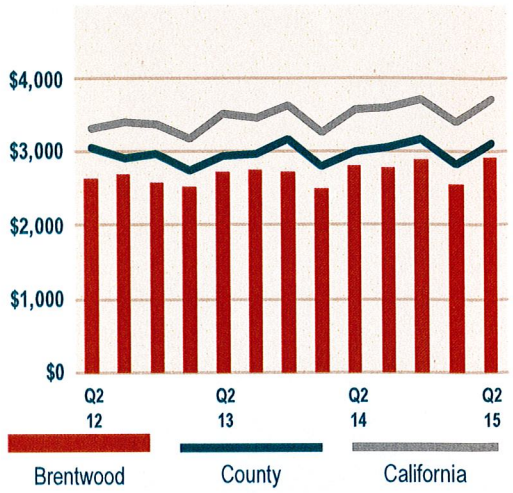
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under $5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

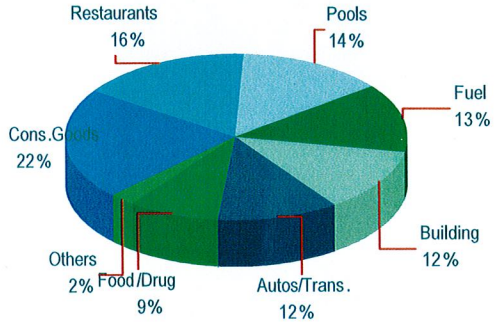
The Board of Equalization estimates that local governments in California currently lose approximately $44 per capita in uncollected sales and use tax on e-commerce purchases.

Sales Per Capita



Revenue by Business Group

Brentwood This Quarter



Brentwood Top 15 Business Types

*In thousands of dollars	Brentwood		County	HdL State
Business Type	**Q2 '15***	**Change**	**Change**	**Change**
Automotive Supply Stores	48.7	-0.2%	6.0%	5.5%
Casual Dining	140.3	9.3%	1.4%	6.1%
Contractors	— CONFIDENTIAL —		36.5%	14.3%
Department Stores	— CONFIDENTIAL —		-2.6%	-2.1%
Drug Stores	— CONFIDENTIAL —		-3.1%	-8.0%
Electronics/Appliance Stores	99.5	18.8%	2.7%	-1.3%
Family Apparel	82.2	7.3%	-0.2%	2.8%
Grocery Stores Liquor	106.5	5.7%	3.7%	3.6%
Home Furnishings	50.1	2.4%	-0.2%	7.5%
Lumber/Building Materials	— CONFIDENTIAL —		4.4%	4.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —		15.6%	9.2%
Quick-Service Restaurants	99.1	22.7%	8.8%	9.2%
Service Stations	258.6	-16.2%	-12.7%	-11.7%
Specialty Stores	59.3	1.6%	6.8%	5.6%
Used Automotive Dealers	47.0	54.0%	24.0%	14.7%
Total All Accounts	**1,656.6**	**7.7%**	**5.3%**	**2.8%**
County & State Pool Allocation	**267.3**	**13.1%**	**10.6%**	**11.8%**
Gross Receipts	**1,923.9**	**8.4%**	**6.0%**	**3.8%**
City/County Share	**(48.1)**	**-8.4%**		
Net Receipts	**1,875.8**	**8.4%**		