



First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

# Contra Costa County In Brief

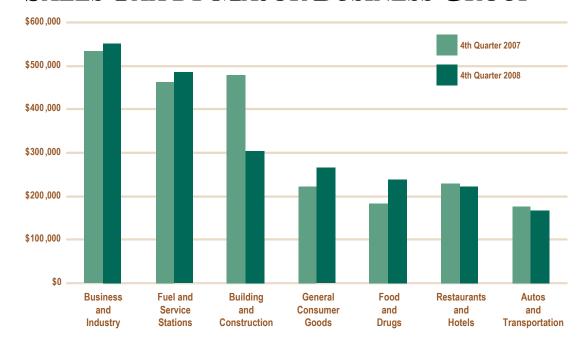
Receipts from the unincorporated area's October through December sales were 3.5% lower than the same period one year ago, but accounting aberrations skewed the data. Actual sales activity declined 13.6% after anomalies were factored out.

Onetime use tax allocations for industrial equipment purchases that spiked last year's receipts were major factors for declines from contractor supplies and electrical equipment. Specialty store losses were exaggerated by a year-ago accounting adjustment. Lower fuel prices pared service station returns.

The transportation/rentals group posted gains. Payment deviations inflated results from grocery stores beer/wine and the general consumer goods group; the group was actually down 11.3%. Receipt of funds from ongoing audit activity boosted proceeds from grocery stores-liquor, restaurants-liquor and the heavy industrial sector. Onetime use tax payments spiked returns from petroleum products/ equipment and contributed to the increase from the light industrial/ printers group.

Adjusted for aberrations, taxable sales for Contra Costa County as a whole were 14.0% lower over the same period; the Bay Area was down 12.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



### Top 25 Producers

In Alphabetical Order

Graybar Electric Home Depot Kensington Station

Blackhawk Country Pacific Boat Center Club Rental Service Central Concrete S & S Tool & Supply Supply County Asphalt Safeway Criterion Catalyst Safeway Gasoline Crown Plaza Sales Concord Sams Club **Draegers Super** Shell/Texaco Markets Sportmart **Equipment Control** Tesoro West Coast Technologies Tesoro West Coast General Electric **Tower Mart** General Plumbing **US Metals** Supply Wesco Distribution

## REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2007-08	2008-09	
Point-of-Sale	\$7,101,479	\$6,896,552	
<b>County Pool</b>	986,809	855,442	
State Pool	2,936	3,091	
Gross Receipts	\$8,091,224	\$7,755,086 2,610,431	
Cty/Cnty Share	2,493,270		
Net Receipts	\$10,584,494	<b>\$10,365,517</b> \$(2,591,379)	
Less Triple Flip*	\$(2,646,124)		
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\*Reimbursed from county compensation fund



#### Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

#### **New Sales Tax Rate**

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot.

This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

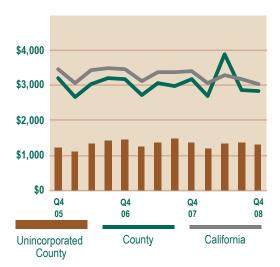
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

#### Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

## SALES PER CAPITA



## CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

	Unincorporated County		County	HdL State
Business Type	Q4 '08*	Change	Change	Change
Service Stations	\$283.6	-20.2%	-22.6%	-23.2%
Contractors	212.9	-42.6%	-28.9%	-15.8%
Petroleum Prod/Equipment	190.7	104.6%	13.7%	-1.3%
Electrical Equipment	147.8	-18.5%	40.9%	21.0%
Light Industrial/Printers	142.4	42.0%	24.6%	11.3%
Grocery Stores Liquor	132.0	49.4%	2.6%	0.8%
Restaurants Liquor	82.9	19.8%	13.4%	-1.4%
Discount Dept Stores	— CONFIDENTIAL —		-0.5%	-3.3%
Repair Shop/Hand Tool Rentals	68.9	6.7%	-9.1%	-6.1%
Heavy Industrial	59.3	181.3%	-23.4%	-1.0%
Restaurants No Alcohol	58.9	-4.6%	-4.5%	1.7%
Transportation/Rentals	51.4	66.6%	-11.5%	-11.8%
Specialty Stores	47.9	-18.8%	-5.9%	-7.2%
Grocery Stores Beer/Wine	41.4	8.6%	-19.4%	-7.7%
Drug Stores	41.0	-7.5%	-2.0%	-1.4%
Total All Accounts	\$2,241.6	-2.0%	-9.7%	-10.3%
County & State Pool Allocation	327.7	2.5%		
Gross Receipts	\$2,569.3	-1.5%		
City/County Share	781.7	-9.7%		
Net Receipts	\$3,351.0	-3.5%		*In thousands