

Q3  
2009



# Contra Costa County Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2009)

## Contra Costa County In Brief

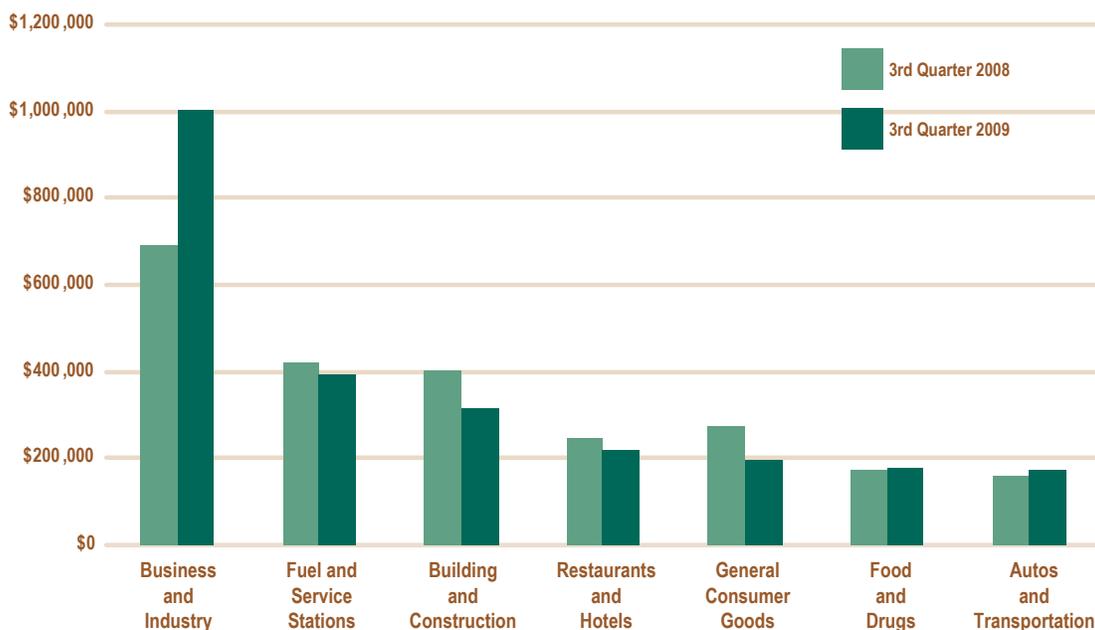
Receipts from the unincorporated area's July through September sales were 1.3% higher than the same quarter of 2008.

Major refinery and energy projects that have temporarily boosted receipts from suppliers in the electrical equipment, transportation-rental, chemical and plumbing-electrical categories were primarily responsible for the increase. A recent addition to health/medical supplies and retroactive audit recoveries in petroleum products were also factors.

The gains were largely offset by the drop from last year's spike in fuel prices and continuing declines in sales and pricing of most other categories of taxable goods and equipment.

Adjusted for reporting aberrations, receipts for all of Contra Costa County including its cities declined 12% from last year's comparable quarter while the nine-county bay region as a whole was down 15.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Albemarle Corporation	Hertz Equipment Rental
Alliance Minimart	Marx Associates
BW Norton Manufacturing	Patterson Dental Supply
Blackhawk Country Club	Rental Service
Central Concrete Supply	Rotten Robbie
Chevron	S & S Tool & Supply
County Asphalt	Safeway
Fluor Enterprises	Safeway Gasoline Sales
General Electric	Sams Club
General Petroleum Corporation	Shell/Texaco
General Plumbing Supply	Sportmart
	Tesoro West Coast
	Tower Mart
	Wesco Distribution

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$4,654,962	\$4,929,672
County Pool	529,351	611,794
State Pool	1,455	4,948
<b>Gross Receipts</b>	<b>\$5,185,768</b>	<b>\$5,546,414</b>
Cty/Cnty Share	1,828,764	1,337,588
<b>Net Receipts</b>	<b>\$7,014,533</b>	<b>\$6,884,002</b>
Less Triple Flip*	\$(1,753,633)	\$(1,721,001)

\*Reimbursed from county compensation fund

### Statewide Sales Declines

With aberrations factored out, statewide sales tax receipts for July through September declined 16.4% from the same quarter of 2008. It is anticipated that this will be the last quarter of comparative double digit decreases as the recession begins to bottom out.

This quarter's declines were led by a 32.6% fall from last year's spike in fuel prices and another 25.2% drop in tax receipts from building and construction materials.

The 9.9% decline in new car receipts was the smallest decrease in this category in seven consecutive quarters. The "cash for clunkers" program was partially responsible for the lower contraction although the tax benefits were muted as exempt federal rebates reduced the taxable values of cars purchased under the program by an average of \$4,200.

Edmunds.com estimates that 72% of the purchases would have occurred without the rebate which, if true, means that the program accomplished its goal of accelerating the clearing of inventories to get auto workers back to work but partially borrowed from future sales.

A 10.1% drop in tax revenues from general consumer goods was attributed to falling prices and continuing weak sales in home furnishings, appliances and electronics, as well as disappointing back to school purchases which normally constitute the second largest retail season of the year.

### But Slow Recovery

Prognostications are for overall smaller sales tax declines in the next two quarters with revenues flattening out by fiscal year 2010/2011. However, tight credit, high unemployment, price pressures and the end of federal stimulus funding are expected to stall significant recovery until the year after.

### Triple Flip Woes

The state's attempts to borrow its way out of its budget problems continued to create havoc with local government fiscal planning with this year's 27.6% average cutback in triple flip backfill payments.

In order to get around the state's flagging bond rating, the borrowing approved by voters in 2004 to close that year's deficit pledged a portion of local sales tax revenues to guarantee the bonds. The complex scheme to backfill the confiscated local sales tax with property tax revenues is referred to as the "triple flip."

Although the deduction occurs in real time, the estimated backfill is set by the state Department of Finance before the fiscal year begins. Last year's overly optimistic revenue projections resulted in overpayments to most local agencies thereby resulting in substantially lower estimates and negative adjustments in this year's backfills to individual agencies.

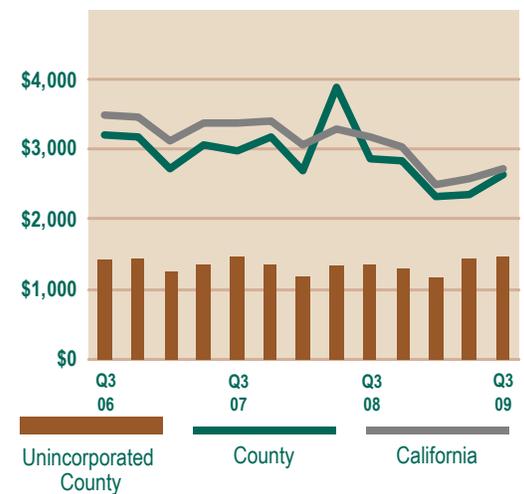
The 2004 bonds are currently estimated to be paid and the triple flip ended by April of 2016.

### Stimulus Update

Approximately two thirds of the estimated \$85 billion in federal stimulus flowing to California is expected to have been spent by the end of this fiscal year with the bulk filling state budget gaps in education, health and human services, as well as providing tax relief to individuals and businesses.

The \$20.5 billion portion available for public capital improvement projects is half committed with actual expenditures expected to begin later in 2010.

### SALES PER CAPITA



### CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

Business Type	Unincorporated County		County	HdL State
	Q3 '09*	Change	Change	Change
Electrical Equipment	\$589.3	292.9%	79.6%	-13.5%
Service Stations	315.1	-12.7%	-24.8%	-28.6%
Contractors	246.9	-17.3%	-21.8%	-35.5%
Light Industrial/Printers	86.3	-70.0%	-25.5%	-19.1%
Grocery Stores Liquor	78.6	13.7%	1.7%	-1.3%
Transportation/Rentals	74.0	221.2%	25.3%	-2.7%
Petroleum Prod/Equipment	69.9	45.0%	-44.6%	-40.1%
Restaurants Liquor	67.9	-9.7%	10.1%	-3.9%
Drugs/Chemicals	67.8	167.5%	-27.1%	-13.3%
Health/Medical	66.9	na	75.1%	1.9%
Restaurants No Alcohol	65.1	-5.7%	-4.8%	-10.1%
Discount Dept Stores	— CONFIDENTIAL —		-2.9%	-4.4%
Repair Shop/Hand Tool Rentals	57.4	-20.5%	-20.3%	-24.0%
Clubs/Amusement Places	49.5	-3.8%	-12.5%	-6.9%
Plumbing/Electrical Supplies	43.1	21.9%	1.5%	-30.3%
<b>Total All Accounts</b>	<b>\$2,494.5</b>	<b>5.8%</b>	<b>-7.1%</b>	<b>-13.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>297.1</b>	<b>-5.7%</b>		
<b>Gross Receipts</b>	<b>\$2,791.7</b>	<b>4.4%</b>		
City/County Share	706.3	-9.3%		
<b>Net Receipts</b>	<b>\$3,498.0</b>	<b>1.3%</b>		

\*In thousands