



Second Quarter Receipts for First Quarter Sales (Jan-Mar 2011)

Contra Costa County In Brief

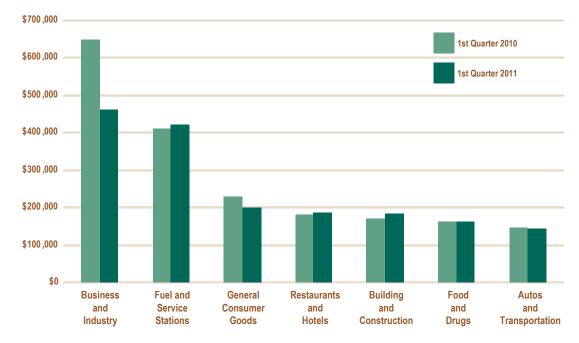
Receipts for the unincorporated area's January through March sales were 2.2% lower than the same quarter one year ago. Actual sales activity was down 4.3% when reporting aberrations were factored out.

The drop in the business and industrial sector from the completion of a large utility project was partially offset by the addition of new business in light industrial/printers. A retroactive adjustment that inflated the year ago period in specialty stores accounted for the decline in general consumer retail overall. A similar occurrence depressed positive results from higher fuel prices and a new outlet in fuel and service stations.

The year over year gain in building and construction was inflated by a temporary retroactive adjustment.

Adjusted for aberrations, taxable sales for all of Contra Costa County increased 9.7% over the comparable time period, while the Bay Area as a whole was up 9.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Alamo Shell Kmg Electronics Chemicals Alliance Minimart **New York Times** C & H Sugar Sales Central Concrete Patterson Dental Supply Supply Chevron Rental Service Clubcare Rotten Robbie Criterion Catalysts Safeway Technologies Safeway Gas Gavs Auto Care Sams Club General Electric Sportmart Haldor Topsoe **Tesoro West Coast** Hertz Equipment **Tower Mart** Rental JT Thorpe Walgreens Company Wesco Distribution

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

		2010-11 \$8,217,963	
	2009-10		
Point-of-Sale	\$9,057,068		
County Pool	1,144,249	1,264,522	
State Pool	8,171	3,759	
Gross Receipts	\$10,209,488	\$9,486,244	
Cty/Cnty Share	2,702,473	2,825,051	
Net Receipts	\$12,911,961	\$12,311,295	
Less Triple Flip*	\$(3,227,990)	\$(3,077,824)	
*Reimbursed from	county compensati	on fund	



Statewide Sales on the Rise

Adjusted for accounting aberrations, California's local sales and use tax revenues from transactions during the first quarter of 2011 were 9.2% higher than the previous year's comparable quarter. This represents the fifth consecutive quarter of recovery and the largest percentage gain since the second quarter of 2005. Total annual revenues however, are still 14.8 % below 2006-2007.

Most regions of the state shared in the increase with the largest contributor coming from a dramatic surge in fuel prices. Allocations from new car sales also were a factor with a statewide gain of 19.8% over the first quarter of 2010. Revenues from full service restaurants and consumer electronics exhibited increases of 10% or more.

California Outlook

The good news is that California's economy is recovering and sales tax growth will follow. However, gains in the next two quarters will be held back by temporary supply chain disruptions caused by the earthquake and tsunami in Japan and by reduced consumer spending as rising gas prices cut into disposable incomes. New uncertainties from further declines in home values and additional government layoffs may also soften consumer spending and business investment for the first half of the fiscal year.

Sales tax growth is expected to pick up in the second half although sluggish improvement in employment and lackluster construction spending will continue to affect the economies of the state's inland regions.

Internet Taxation

Under federal case law, states cannot require businesses without a physical presence in their state to collect sales tax. Companies such as Amazon have built their business plans around avoiding collecting the tax thereby putting local brick and mortar stores at a competitive disadvantage.

This year, California has attempted to partially correct the inequity through the passage of ABX1 28 which combines the differing strategies of three previous bills with each designed to be severable in the event of a successful court challenge.

The first follows the lead of New York State by declaring that internet sales through a host of in-state affiliates constitutes "substantial nexus" and therefore makes sales through those affiliates subject to sales tax. ABX1 28 also prevents companies with in-state brick and mortar stores from treating those stores as separate legal entities to avoid collecting tax on internet sales. The third strategy permits the state to use a revised definition of "engaged in business in this state" if future court decisions expand the definition of nexus so that internet sellers must collect sales tax in their customers' jurisdictions.

ABX1 28 is expected to increase

statewide tax collections by \$317 million annually, with local governments splitting about \$39 million or roughly \$1.00 per capita. Revenues from these out of state sales would be distributed primarily though the countywide use tax allocation pools.

Staying Alive (shrinking retailers)

Agencies in smaller market areas may have fresh opportunities for new retail with big box stores now planning on smaller facilities. Reducing floor area is seen as another method of cost containment as consumer thriftiness keeps pressure on corporate profit margins. JC Penney, Petsmart, TJ Maxx and Staples have announced plans to build stores up to 40% smaller than their existing locations while Best Buy is planning to sublease part of the space in their existing stores and retail giant Wal-Mart is experimenting with stores as small as 14,000 square feet to recapture lost market share from dollar stores.

CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

	Unincorpo	Unincorporated County		HdL State
Business Type	Q1 '11*	Change	Change	Change
Clubs/Amusement Places	34.2	20.3%	21.2%	10.9%
Contractors	129.6	21.3%	11.6%	2.7%
Discount Dept Stores	— CONF	— CONFIDENTIAL —		2.1%
Drug Stores	38.0	8.3%	-1.0%	3.1%
Electrical Equipment	44.4	-87.8%	-64.0%	9.7%
Grocery Stores Beer/Wine	37.4	-17.2%	3.0%	2.7%
Grocery Stores Liquor	70.2	3.8%	0.3%	-12.6%
Light Industrial/Printers	154.8	373.3%	11.6%	6.7%
Medical/Biotech	61.2	-4.8%	23.3%	3.3%
Petroleum Prod/Equipment	64.2	-33.5%	24.5%	35.9%
Repair Shop/Hand Tool Rentals	55.1	12.1%	-6.3%	8.7%
Restaurants Liquor	60.8	0.2%	5.5%	8.1%
Restaurants No Alcohol	60.4	2.8%	9.6%	8.6%
Service Stations	347.0	14.6%	24.5%	19.8%
Transportation/Rentals	63.4	2.3%	141.3%	22.2%
Total All Accounts	\$1,761.9	-9.7%	5.2%	7.5%
County & State Pool Allocation	313.7	23.5%		
Gross Receipts	\$2,075.6	-5.9%		
City/County Share	688.1	10.9%		
Net Receipts	\$2,763.7	-2.2%		*In thousands