

Q2 2011



Contra Costa County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

Contra Costa County In Brief

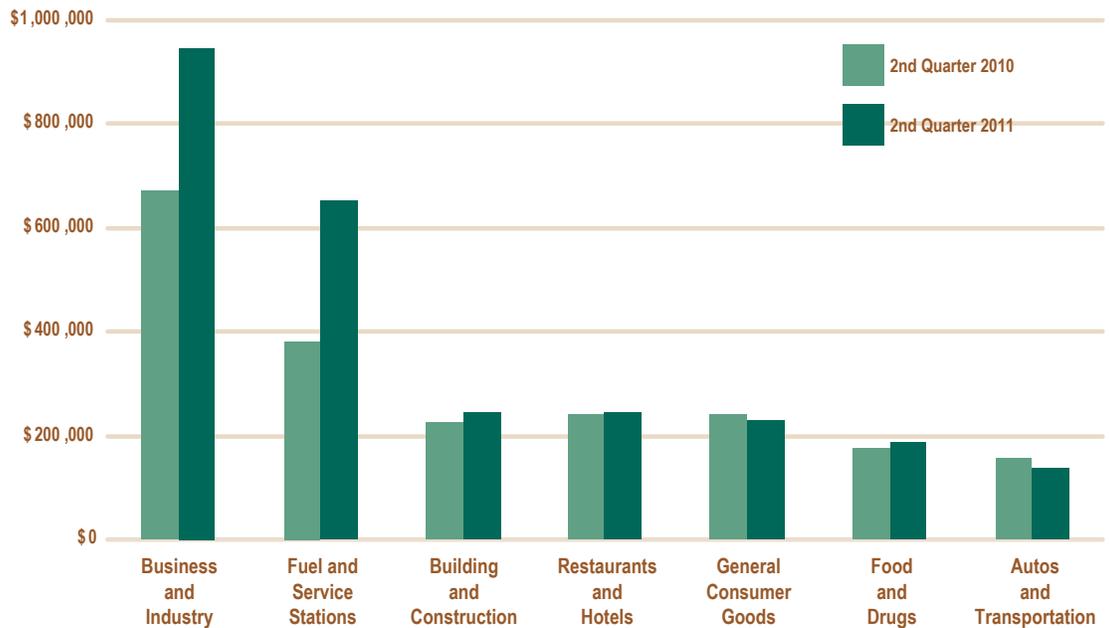
Gross receipts for sales that occurred in the unincorporated county area during the April through June period were 23.9% higher than the same quarter of 2010. Actual sales increased 19.2% after accounting aberrations were factored out.

The combination of higher prices, increased sales activity, a new outlet and the correction of prior reporting anomalies boosted returns from the fuel/service station group. Increased sales of electrical equipment were further buoyed by a onetime use tax payment. The correction of coding errors bolstered returns from contractor supplies and some categories of business-to-business sales. Adjustments over-stated gains from repair shops and clubs/amusement places but understated results from quick service eateries.

Sales declined from transportation/rentals, the medical/biotech sector and several classifications of general consumer goods. Positive adjustments in the year-ago quarter depressed comparisons for restaurants with full liquor service.

Adjusted for onetime reporting events, sales and use tax receipts for all of Contra Costa County, including its cities, increased 7.6% over the same time period; the Bay Area as a whole was up 9.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Alamo Hardware	John Deere
Alamo Shell	Landscapes
Alliance Minimart	New York Times Sales
Bay Counties	Patterson Dental Supply
Pitcock	Rental Service
Petroleum	Rotten Robbie
C & H Sugar	Safeway
Central Concrete Supply	Safeway Gas
Chevron	Sams Club
County Asphalt	Sportmart
Criterion Catalysts Technologies	Tesoro Golden Eagle Refinery
General Electric	Tesoro West Coast
General Electric International	Tower Mart
Hertz Equipment Rental	Wesco Distribution

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$2,086,344	\$2,643,695
County Pool	292,713	307,471
State Pool	1,147	(1,567)
Gross Receipts	\$2,380,203	\$2,949,599
Cty/Cnty Share	686,680	724,304
Net Receipts	\$3,066,884	\$3,673,904
Less Triple Flip*	\$(766,721)	\$(918,476)

*Reimbursed from county compensation fund

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

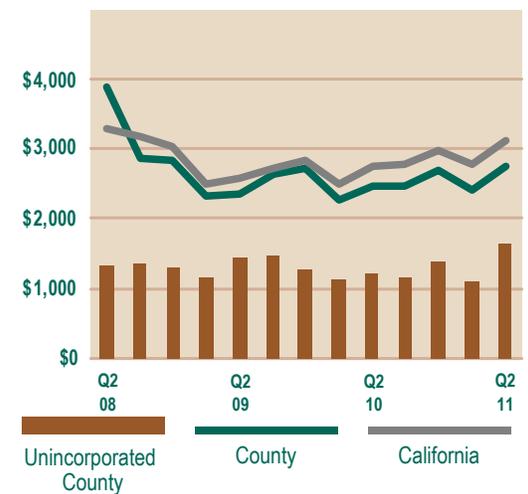
which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

SALES PER CAPITA



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

Business Type	Unincorporated County		County	HdL State
	Q2 '11*	Change	Change	Change
Clubs/Amusement Places	56.3	18.4%	7.7%	11.5%
Contractors	179.6	12.4%	19.5%	7.6%
Discount Dept Stores	— CONFIDENTIAL —		6.2%	6.4%
Electrical Equipment	467.4	29.9%	6.4%	14.0%
Garden/Agricultural Supplies	62.4	41.7%	6.4%	4.4%
Grocery Stores Liquor	80.5	2.3%	1.3%	1.5%
Light Industrial/Printers	144.1	174.3%	2.0%	-0.3%
Medical/Biotech	65.3	-7.3%	-18.5%	-19.4%
Petroleum Prod/Equipment	140.5	325.8%	33.4%	43.0%
Repair Shop/Hand Tool Rentals	64.7	74.3%	13.0%	11.4%
Restaurants Liquor	73.5	-11.1%	9.8%	8.6%
Restaurants No Alcohol	74.0	0.8%	5.4%	3.5%
Service Stations	499.7	47.7%	41.0%	30.9%
Specialty Stores	44.5	-22.2%	-0.6%	5.4%
Transportation/Rentals	47.7	-18.5%	-5.7%	25.8%
Total All Accounts	\$2,643.7	26.7%	9.4%	10.1%
County & State Pool Allocation	305.9	4.1%		
Gross Receipts	\$2,949.6	23.9%		
City/County Share	724.3	5.5%		
Net Receipts	\$3,673.9	19.8%		

*In thousands