

# Q1 2012



# Contra Costa County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

## Contra Costa County In Brief

Receipts for the unincorporated area's January through March sales were 16.4% higher than the same quarter one year ago. Actual sales activity was up 14.3% when reporting aberrations were factored out.

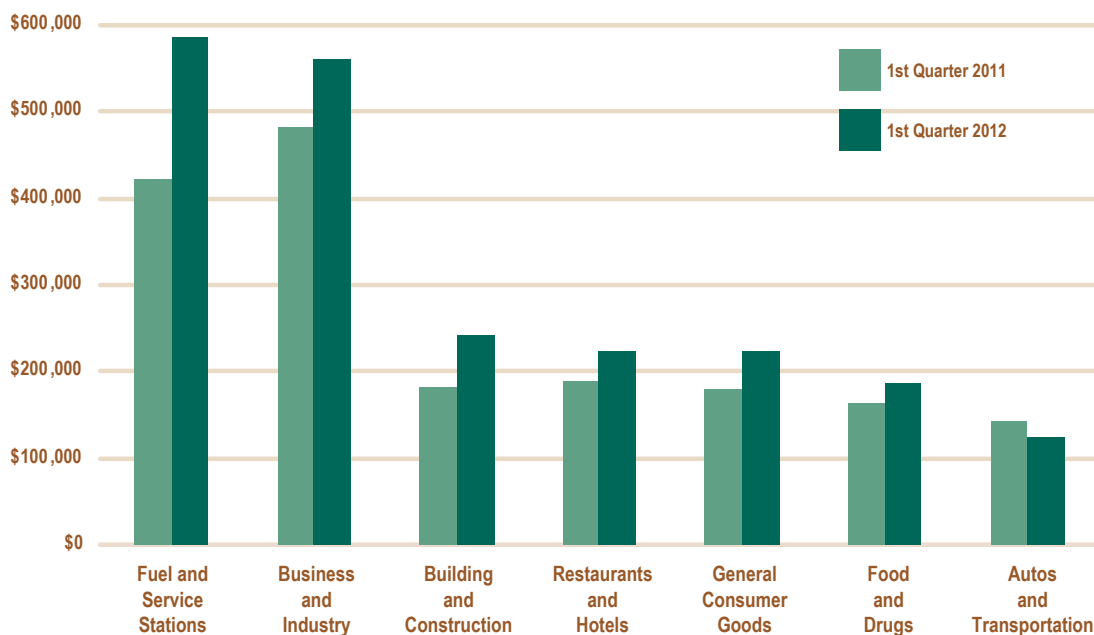
Retroactive adjustments overstated positive results from higher prices in the fuel and service station group. Similar events inflated returns in general retail, restaurants and food and drugs.

A new enterprise in electrical equipment and gains in drugs/chemicals, business services, medical/biotech and garden/agricultural supplies boosted business to business receipts. Sales activity increased for concrete, asphalt and construction supplies.

The decline in transportation/rentals from the culmination of a capital project accounted for the loss in autos and transportation.

Adjusted for aberrations, taxable sales for all of Contra Costa County increased 8.2% over the comparable time period, while the Bay Area as a whole was up 8.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Alamo Shell	New York Times Sales
Alliance Minimart	Patterson Dental Supply
BDV Chevron	Rotten Robbie
C & H Sugar	RSC Equipment Rental
Central Concrete Supply	Safeway
Chevron	Safeway Gas
Criterion Catalysts Technologies	Sams Club
Graybar Electric	Shell
Hertz Equipment Rental	Tesoro Golden Eagle Refinery
Huawei Technologies	Tower Mart
Hunt & Sons	Valero
Kiewit Industrial	Wesco Distribution
Marx Associates	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$8,217,963	\$9,298,664
County Pool	1,264,522	1,327,692
State Pool	3,759	3,105
<b>Gross Receipts</b>	<b>\$9,486,244</b>	<b>\$10,629,461</b>
Cty/Cnty Share	2,825,051	2,987,683
<b>Net Receipts</b>	<b>\$12,311,295</b>	<b>\$13,617,144</b>
Less Triple Flip*	\$(3,077,824)	\$(3,404,286)

\*Reimbursed from county compensation fund

**Statewide Results**

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

**The Year Ahead**

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

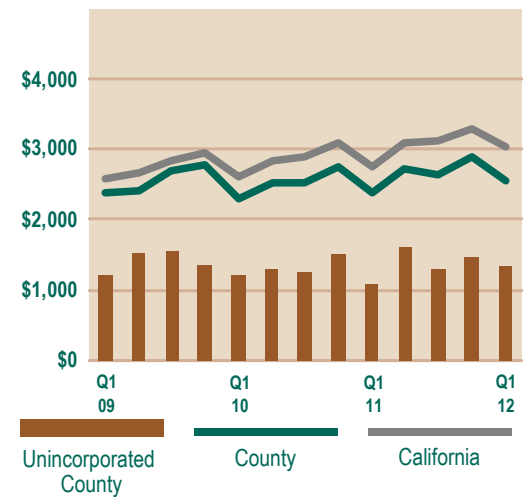
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

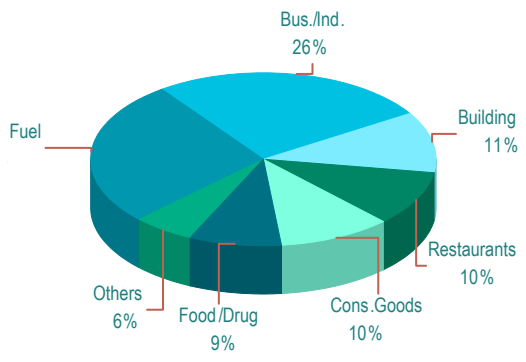
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Contra Costa County This Quarter



**CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE**

Business Type	Unincorporated County		County	HdL State
	Q1 '12*	Change	Change	Change
Clubs/Amusement Places	41.5	19.9%	23.5%	3.5%
Contractors	182.0	40.5%	-24.7%	22.6%
Discount Dept Stores	— CONFIDENTIAL —		3.2%	5.6%
Drug Stores	39.9	5.1%	2.0%	3.0%
Electrical Equipment	74.8	217.2%	35.2%	14.0%
Grocery Stores Beer/Wine	42.8	5.5%	4.3%	9.2%
Grocery Stores Liquor	73.1	4.1%	2.9%	5.6%
Light Industrial/Printers	150.8	-2.6%	8.8%	2.6%
Medical/Biotech	70.7	15.4%	-6.8%	-9.2%
Petroleum Prod/Equipment	133.9	85.4%	8.7%	18.8%
Repair Shop/Hand Tool Rentals	67.4	-9.4%	11.2%	11.3%
Restaurants Liquor	65.5	7.8%	15.4%	13.0%
Restaurants No Alcohol	80.5	33.3%	12.1%	9.5%
Service Stations	441.3	30.6%	1.3%	13.3%
Specialty Stores	39.2	45.6%	5.7%	6.9%
<b>Total All Accounts</b>	<b>\$2,149.2</b>	<b>22.0%</b>	<b>6.7%</b>	<b>9.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>350.0</b>	<b>11.6%</b>		
<b>Gross Receipts</b>	<b>\$2,499.1</b>	<b>20.4%</b>		
City/County Share	718.2	4.4%		
<b>Net Receipts</b>	<b>\$3,217.3</b>	<b>16.4%</b>		

\*In thousands