

Q3 2012



Contra Costa County Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

Contra Costa County In Brief

Receipts for the unincorporated area's July through September sales were 16.0% higher than the same quarter one year ago. Actual sales activity was up 7.5% when reporting aberrations were factored out.

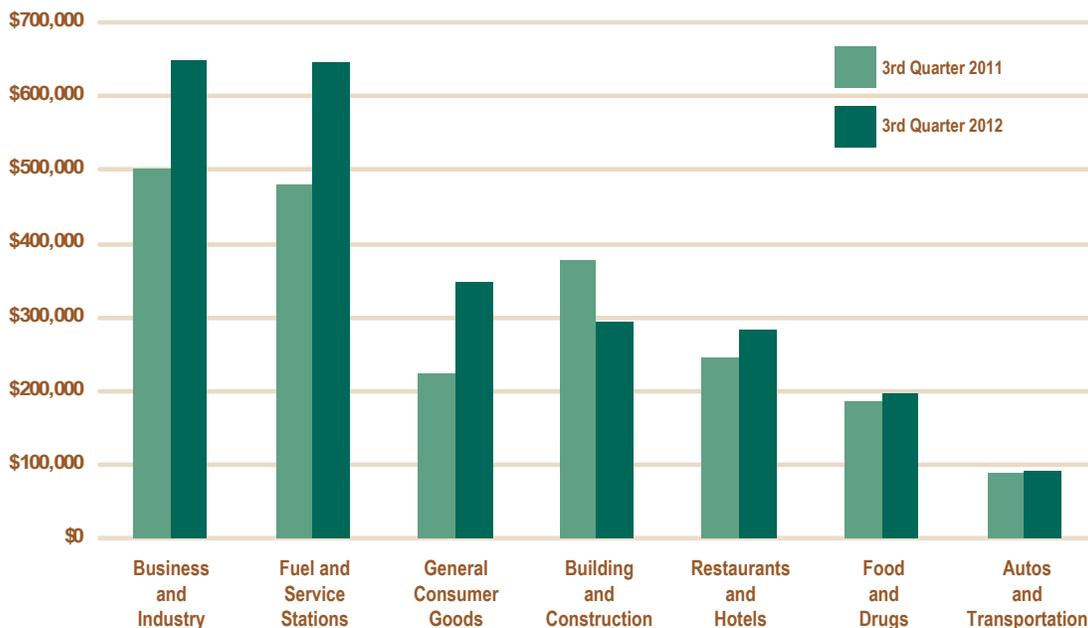
New enterprises in electrical equipment and light industrial/printers contributed to the gain in business to business sales activity. Multiple deviations that depressed year-ago returns accounted for the spike in the fuel and service station group.

An accounting adjustment inflated returns in general consumer goods. Once adjusted for this one-time event, general retail increased 2.6%. New eateries added to already positive results in restaurants and hotels.

An allocation error accounted for the drop in the building and construction group.

Adjusted for aberrations, taxable sales for all of Contra Costa County increased 6.4% over the comparable time period, while the Bay Area as a whole was up 6.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Alamo Shell	Huawei
Alliance Minimart	Technologies
BDV Chevron	Hunt & Sons
Blackhawk Country Club	New York Times Sales
C & H Sugar	Pallet Companies
Chevron	Patterson Dental Supply
County Asphalt	Roofing Supply Group
Dow Jones & Company	Rotten Robbie
General Electric	Safeway
General Electric International	Safeway Gas
General Plumbing Supply	Sams Club
Graybar Electric	Shell
	Tower Mart
	Wesco Distribution

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$4,744,614	\$5,096,229
County Pool	629,440	634,878
State Pool	239	1,636
Gross Receipts	\$5,374,292	\$5,732,742
Cty/Cnty Share	1,466,939	1,631,223
Net Receipts	\$6,841,231	\$7,363,965
Less Triple Flip*	\$(1,710,308)	\$(1,840,991)

*Reimbursed from county compensation fund

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

Business Type	Unincorporated County		County	HdL State
	Q3 '12*	Change	Change	Change
Clubs/Amusement Places	60.0	13.9%	14.7%	6.0%
Contractors	207.2	-32.7%	-7.4%	6.9%
Discount Dept Stores	— CONFIDENTIAL —		15.8%	15.5%
Electrical Equipment	49.5	125.4%	20.4%	18.4%
Energy/Utilities	64.2	302.1%	445.2%	146.9%
Garden/Agricultural Supplies	54.4	-8.3%	0.0%	-2.6%
Grocery Stores Beer/Wine	48.7	2.8%	1.3%	4.4%
Grocery Stores Liquor	87.4	9.0%	6.0%	9.6%
Light Industrial/Printers	179.7	30.7%	-8.9%	-5.5%
Medical/Biotech	81.3	45.6%	-0.4%	-22.1%
Petroleum Prod/Equipment	128.0	254.8%	49.4%	6.5%
Repair Shop/Equip. Rentals	78.7	-5.5%	-10.9%	10.2%
Restaurants Liquor	93.4	27.4%	9.0%	8.6%
Restaurants No Alcohol	90.4	16.2%	10.5%	8.1%
Service Stations	511.7	18.9%	1.2%	1.6%
Total All Accounts	\$2,510.4	19.5%	10.5%	8.8%
County & State Pool Allocation	357.6	10.5%		
Gross Receipts	\$2,868.0	18.3%		
City/County Share	807.6	8.7%		
Net Receipts	\$3,675.6	16.0%		

*In thousands