

Q2 2014



Contra Costa County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Contra Costa County In Brief

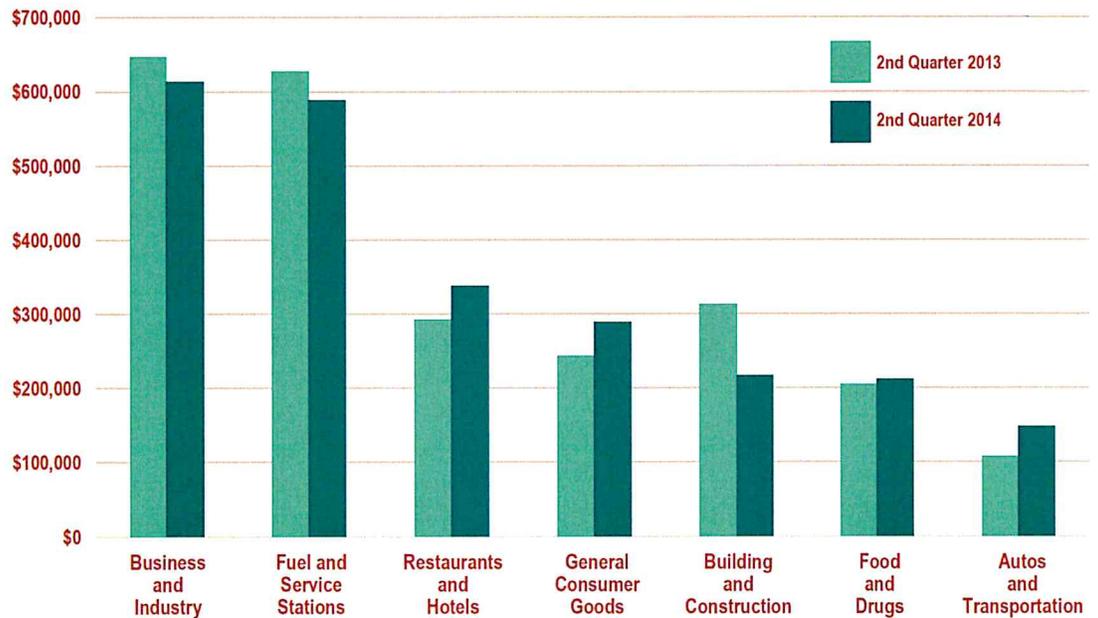
Receipts for the unincorporated area's April through June sales were 0.8% higher than the same quarter one year ago. Actual sales activity was down 1.2% when reporting aberrations were factored out.

A new outlet lifted automotive group returns. Accounting events overstated gains from casual dining, grocery-liquor, drug stores, repair shop/equipment rentals and the general consumer goods group, but understated results from sales of electrical equipment. Postings were up from lumber/building materials and service stations.

Receipt of onetime use tax and a double payment in the year-ago period, combined with a reporting problem that cut current quarter revenue, depressed receipts from contractor supplies. An adjustment that inflated last year's returns exaggerated losses from garden/agricultural supplies. A shift of revenue due to recent annexation activity pared receipts from petroleum products while payment deviations depressed results from light industrial/printers.

Net of reporting anomalies, taxable sales for all of Contra Costa County increased 3.8% over the same period; Bay Area regional totals were 6.3% higher.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alamo Hardware	McGuire Harley Davidson
Alamo Shell	New York Times Sales
BDV Chevron	Patterson Dental Supply
Blackhawk Country Club	Roofing Supply Group
Brickyard Building Materials	Safeway
C & H Sugar	Safeway Fuel
Chevron	Sams Club
County Asphalt	Shell
Dead Fish	Tesoro Refining & Marketing
Dow Jones & Company	Tower Mart
General Plumbing Supply	United Rentals
Graybar Electric	Walgreens
Huawei Technologies	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,436,807	\$2,406,553
County Pool	348,020	368,025
State Pool	1,733	1,885
Gross Receipts	\$2,786,560	\$2,776,464
Cty/Cnty Share	825,983	866,568
Net Receipts	\$3,612,544	\$3,643,031
Less Triple Flip*	\$(903,136)	\$(910,758)

*Reimbursed from county compensation fund

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California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific "point of sale" in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California's 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year's state budget deficit.

To guarantee the bonds, the state redirected 1/4 of local government's one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the "triple flip" and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

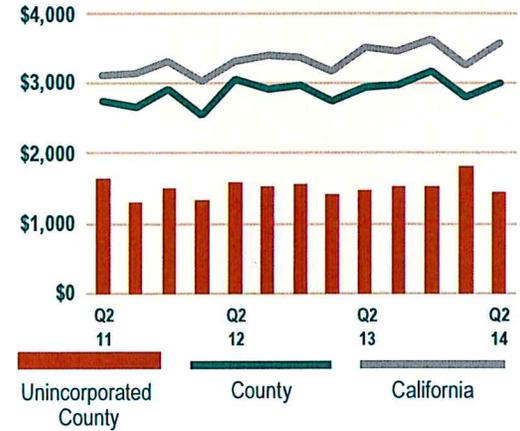
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

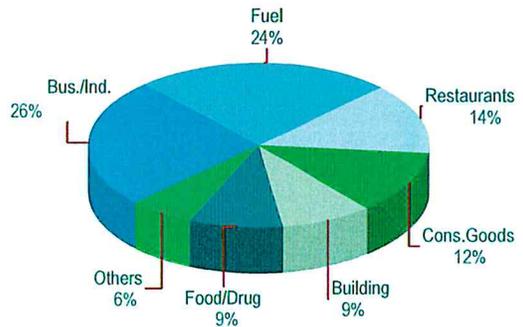
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state's use of property tax revenues to finance Proposition 198's minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state's attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Contra Costa County This Quarter



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

*In thousands Business Type	Unincorporated County		County	HdL State
	Q2 '14*	Change	Change	Change
Casual Dining	129.9	28.3%	7.8%	3.6%
Contractors	116.3	-45.0%	-18.0%	14.4%
Discount Dept Stores	— CONFIDENTIAL —		3.1%	2.9%
Drug Stores	47.1	5.0%	8.0%	10.0%
Electrical Equipment	68.8	44.0%	11.6%	5.3%
Garden/Agricultural Supplies	63.8	-24.3%	0.0%	5.5%
Grocery Stores Liquor	96.5	12.1%	5.5%	5.7%
Leisure/Entertainment	71.0	4.2%	-3.0%	-12.0%
Light Industrial/Printers	190.9	-12.1%	-38.3%	3.6%
Lumber/Building Materials	57.1	6.1%	14.6%	9.0%
Medical/Biotech	— CONFIDENTIAL —		18.4%	-57.4%
Petroleum Prod/Equipment	82.6	-42.2%	-1.1%	-0.7%
Quick-Service Restaurants	81.5	-0.1%	5.4%	6.7%
Repair Shop/Equip. Rentals	83.1	10.9%	4.6%	-9.3%
Service Stations	498.0	4.1%	5.7%	6.7%
Total All Accounts	\$2,406.6	-1.2%	3.6%	2.8%
County & State Pool Allocation	\$369.9	5.8%	10.9%	12.7%
Gross Receipts	\$2,776.5	-0.4%	4.5%	3.9%
City/County Share	866.6	4.9%		
Net Receipts	\$3,643.0	0.8%		