

Q1 2014



Contra Costa County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Contra Costa County In Brief

Receipts for the unincorporated area's January through March sales were 24.7% higher than the same quarter one year ago. Actual sales activity for the first quarter was up 10.3% when reporting aberrations were factored out.

The large gain in business and industry was the result of multiple years' positive fund transfers during the quarter as well as onetime use tax payments.

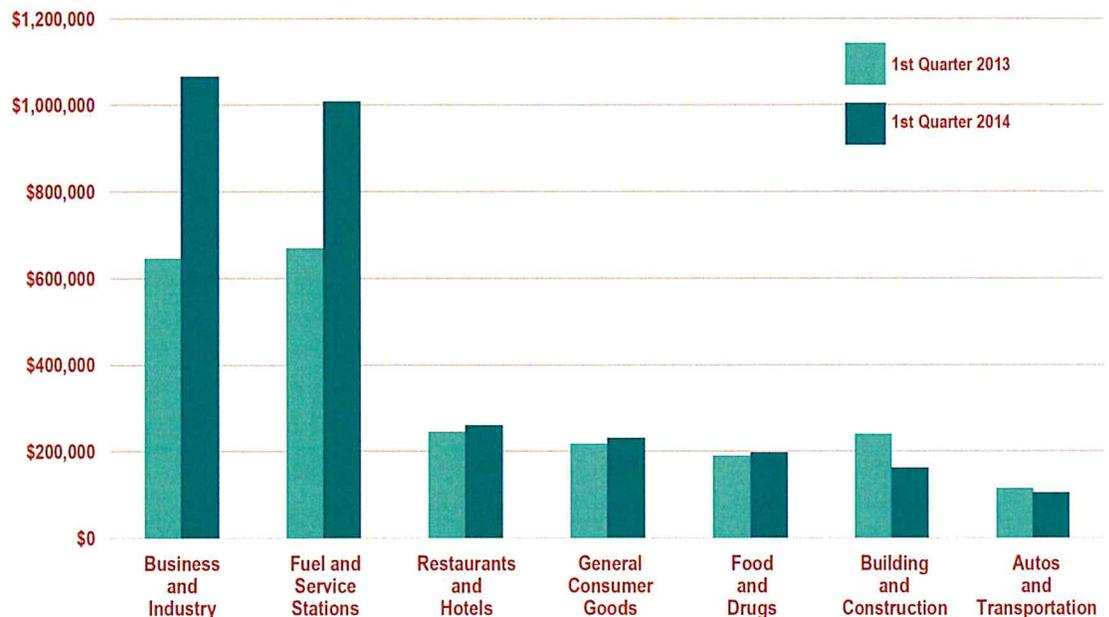
Two large payment anomalies, a new outlet that was previously allocated to the county pool, and a surge in sales in petroleum products/equipment more than offset a decline in service stations and produced an overall gain in the fuel and service stations group.

New outlets and increased sales in casual dining lifted restaurants and hotels. Payment aberrations in both the comparative and current quarters boosted food and drugs and general consumer goods. Building and construction was down due to multiple payment aberrations in contractors and plumbing/electrical supplies.

The county's allocation from the county wide use tax pool increased by 38.1% during the quarter.

Adjusted for aberrations, taxable sales for all of Contra Costa County increased 2.9% over the comparable time period, while the Bay Area as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Air Products Manufacturing	Kie Con
Alamo Hardware	New York Times Sales
Alamo Shell	Patterson Dental Supply
BDV Chevron	Phillips 66
C & H Sugar	Safeway
Chevron	Safeway Fuel
Criterion Catalysts Technologies	Sams Club
Dead Fish	Shell
Dow Jones & Company	Shell/Texaco
General Chemical	Southwire
Huawei Technologies	Tesoro Refining & Marketing
Hunt & Sons	Tower Mart
	Walgreens

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$9,958,738	\$10,490,871
County Pool	1,326,132	1,584,468
State Pool	5,215	7,399
Gross Receipts	\$11,290,085	\$12,082,738
Cty/Cnty Share	3,226,203	3,360,325
Net Receipts	\$14,516,288	\$15,443,063
Less Triple Flip*	\$(3,629,072)	\$(3,860,766)

*Reimbursed from county compensation fund

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NOTES

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

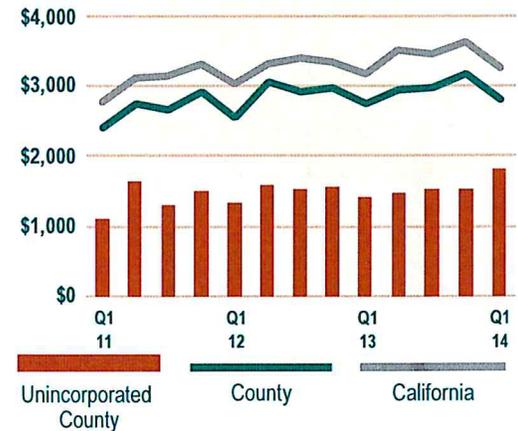
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

Business Type	*In thousands			
	Unincorporated County Q1 '14*	Unincorporated County Change	County Change	HdL State Change
Casual Dining	102.3	13.5%	12.3%	6.9%
Contractors	86.9	-40.5%	-6.7%	14.8%
Discount Dept Stores	— CONFIDENTIAL —		-2.5%	-2.6%
Drugs/Chemicals	74.6	28.1%	20.3%	2.2%
Electrical Equipment	59.1	25.6%	1.4%	4.2%
Energy/Utilities	443.7	na	83.1%	-17.1%
Grocery Stores Liquor	84.1	8.9%	0.3%	-14.7%
Leisure/Entertainment	45.3	-1.8%	-9.2%	7.4%
Light Industrial/Printers	190.0	-8.4%	-9.5%	-1.3%
Lumber/Building Materials	43.1	13.9%	18.0%	16.8%
Medical/Biotech	78.6	-9.1%	6.8%	40.0%
Petroleum Prod/Equipment	573.1	199.9%	120.8%	-5.2%
Quick-Service Restaurants	74.2	8.0%	4.3%	4.8%
Repair Shop/Equip. Rentals	76.7	23.4%	1.0%	-12.0%
Service Stations	426.7	-9.4%	-2.4%	-1.0%
Total All Accounts	\$3,025.3	30.4%	3.2%	3.2%
County & State Pool Allocation	\$439.3	38.2%	9.4%	7.7%
Gross Receipts	\$3,464.5	31.3%	4.0%	3.7%
City/County Share	778.2	1.8%		
Net Receipts	\$4,242.7	24.7%		