

Q4 2015



Contra Costa County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Contra Costa County In Brief

The unincorporated area's receipts from October through December were 60.8% above the fourth sales period in 2014. A large retroactive payment in business and industry inflated results for that group and overall county receipts. As a result of this onetime payment, the county's allocation from the countywide use tax pool increased by \$323,123 (77.5%) during the quarter. Excluding this and other aberrations, actual sales were up 3.5%.

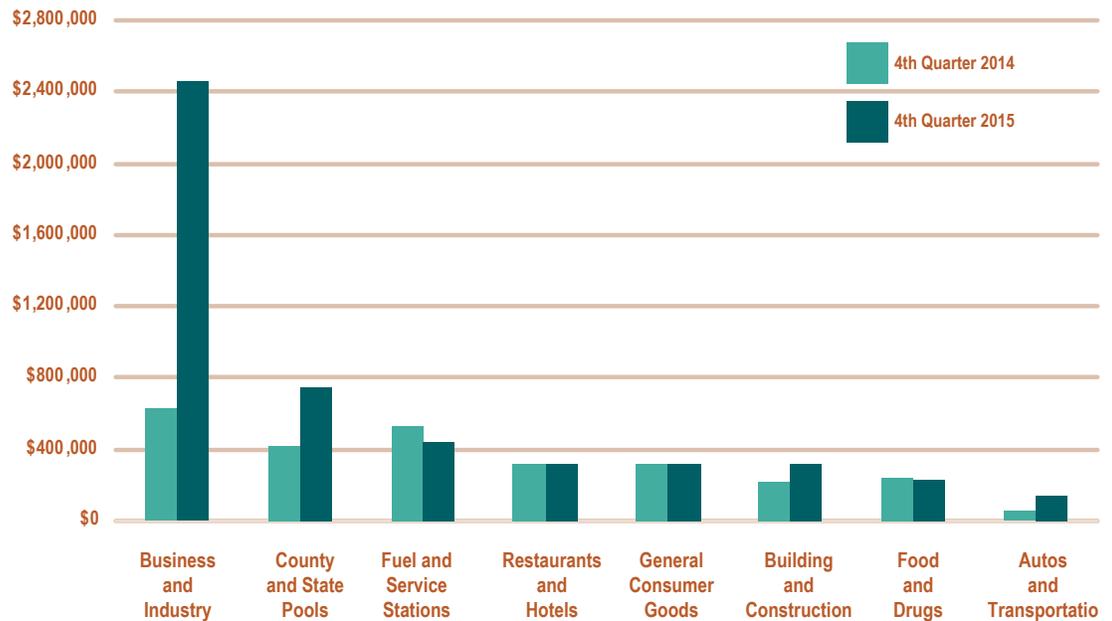
Aside from aberrations, many business to business categories performed well including business services, electrical equipment, garden/agricultural supplies and repair shop/equipment rentals.

Payment anomalies from contractors boosted building and construction; actual sales were down for the group. Similarly, accounting adjustments provided most of the gain in the automotive sector. Overall restaurant and general retail sales were sluggish and trailed county trends.

The gain in cash receipts was partially offset by continued lower retail gas prices that depressed service stations returns consistent with statewide trends.

Net of aberrations, taxable sales for all of Contra Costa County grew 2.3% over the comparable time period; the Bay Area was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alamo Hardware	New York Times Sales
Alamo Shell	Phillips 66 Company
Albemarle Corporation	Roofing Supply Group
BDV Chevron	Safeway
Blackhawk Country Club	Safeway Fuel
Brickyard Building Materials	Sams Club
County Asphalt	Shell
Criterion Catalysts Technologies	Siemens Energy
Dead Fish	Sunstate Equipment
General Plumbing Supply	Tower Mart
McGuire Harley Davidson	Unimin
	United Rentals
	Walgreens
	Wesco Distribution

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$7,075,210	\$9,266,878
County Pool	1,145,605	1,563,535
State Pool	6,198	12,536
Gross Receipts	\$8,227,013	\$10,842,950
Cty/Cnty Share	2,691,526	2,750,800
Net Receipts	\$10,918,539	\$13,593,750
Less Triple Flip*	\$(2,729,635)	\$(3,398,437)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

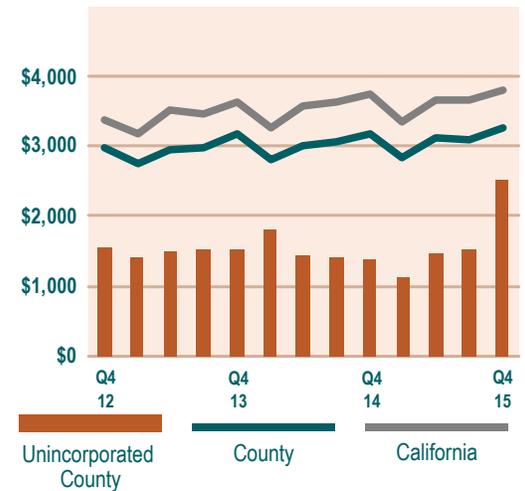
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

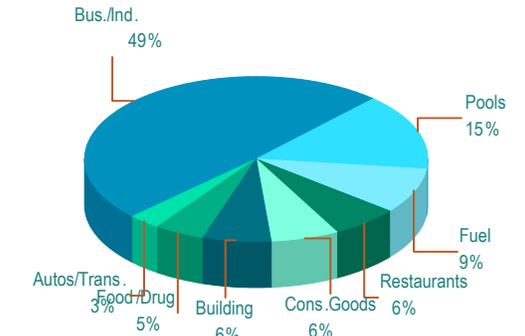
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Contra Costa Co. Uninc This Quarter



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

Business Type	*In thousands of dollars			
	Unincorporated County Q4 '15*	County Change	County Change	HdL State Change
Business Services	52.6	74.6%	9.9%	15.3%
Casual Dining	137.0	2.5%	6.9%	6.1%
Contractors	228.1	66.0%	37.5%	11.2%
Discount Dept Stores	—	CONFIDENTIAL	2.0%	3.0%
Drug Stores	47.7	3.4%	1.7%	1.2%
Electrical Equipment	87.5	57.3%	38.2%	-13.5%
Energy/Utilities	—	CONFIDENTIAL	-91.9%	-5.4%
Garden/Agricultural Supplies	59.4	14.7%	20.9%	16.2%
Grocery Stores Liquor	—	CONFIDENTIAL	-1.1%	0.5%
Leisure/Entertainment	76.1	9.1%	3.7%	10.3%
Light Industrial/Printers	175.3	-11.8%	5.1%	5.3%
Petroleum Prod/Equipment	88.2	-25.6%	-31.8%	-30.0%
Quick-Service Restaurants	93.7	-2.1%	7.3%	7.9%
Repair Shop/Equip. Rentals	83.0	10.7%	-12.4%	2.4%
Service Stations	344.3	-14.3%	-12.9%	-10.5%
Total All Accounts	4,238.6	83.1%	3.8%	2.4%
County & State Pool Allocation	749.7	78.8%	1.3%	10.8%
Gross Receipts	4,988.3	82.5%	3.4%	3.5%
City/County Share	920.1	-2.3%		
Net Receipts	5,908.4	60.8%		