Sales Tax Update

Top 25 Producers
In Alphabetical Order

- Alamo Shell
- Alliance Minimart
- BDV Chevron
- Central Concrete Supply
- Chevron
- County Asphalt
- Criterion Catalysts Technologies
- General Electric
- General Electric International
- Hunt & Sons
- John Deere Landscapes
- New York Times Sales
- Newspaper Press Division
- Patterson Dental Supply
- Rental Service
- Rotten Robbie
- Rupert Construction Supply
- Safeway
- Safeway Gas
- Sams Club
- Tesoro Golden Eagle Refinery
- Tesoro West Coast
- Tower Mart
- Walgreens
- Wesco Distribution

Revenue Comparison
Three Quarters – Fiscal Year To Date

<table>
<thead>
<tr>
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<th>2010-11</th>
<th>2011-12</th>
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<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$6,456,069</td>
<td>$7,149,501</td>
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<tr>
<td>County Pool</td>
<td>951,292</td>
<td>980,058</td>
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<tr>
<td>State Pool</td>
<td>3,296</td>
<td>775</td>
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<tr>
<td>Gross Receipts</td>
<td>$7,410,657</td>
<td>$8,130,333</td>
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<tr>
<td>Cty/Cnty Share</td>
<td>2,136,953</td>
<td>2,269,494</td>
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<tr>
<td>Net Receipts</td>
<td>$9,547,611</td>
<td>$10,399,827</td>
</tr>
<tr>
<td>Less Triple Flip*</td>
<td>$(2,386,903)</td>
<td>$(2,599,957)</td>
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*Reimbursed from county compensation fund

In Brief
Fourth quarter receipts from retailers in the county’s unincorporated area were up 1.6% compared to the same period one year earlier but reporting aberrations skewed the data. With anomalies excluded, actual sales increased 12.8%.

The disparity between cash receipts and actual economic activity was largely due to retroactive payment adjustments that inflated light industrial/printer and petroleum products/equipment totals in the comparison quarter. Light industrial sales were actually up and the petroleum product comparison was better than it appeared. Service stations, helped by higher prices at the pump, grocery stores with liquor, medical/biotech, restaurants no alcohol including newly added businesses, electrical equipment, repair shop/hand tool rentals and clubs/amusement places also showed significant gains.

Garden/agricultural supply sales appeared to drop but late-arriving receipts for sales in a prior quarter inflated year ago receipts; adjusted for that aberration, sales were up.

Net of accounting adjustments, all of Contra Costa County was up 6.5%; statewide sales grew 7.8%.
California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

To close the remaining gap, annual retail sales need to grow by $40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

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