

Q1 2011



Pleasant Hill Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2011)

Pleasant Hill In Brief

Receipts for Pleasant Hill's January through March sales were 10.9% higher than the same quarter one year ago. Actual sales activity was up 12.0% when reporting aberrations were factored out. Almost half of the adjusted gain was due to the increase in the city's allocation from the countywide use tax allocation pool.

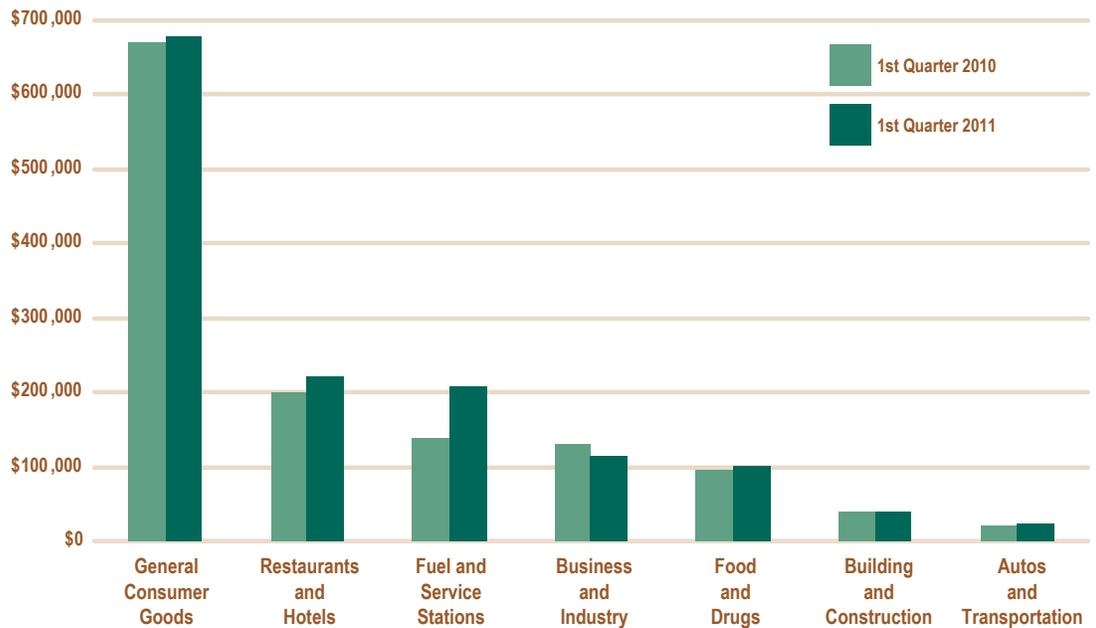
The increase in service stations from higher fuel prices and a new station was inflated by temporary payment deviations. A probable allocation error that exaggerated the rise in electronics/appliance stores offset disappointing same store receipts in other general consumer retail sectors.

New eateries contributed to the increase in restaurants as a whole. Revenues rose in food/drug and auto supply categories.

Despite the decline in business to business receipts overall, there was a gain in office equipment/supplies.

Adjusted for aberrations, taxable sales for all of Contra Costa County increased 9.7% over the comparable time period, while the Bay Area as a whole was up 9.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

AT&T Mobility	Marshalls
Bay Counties	Michaels Arts & Crafts
Pitcock	Pacific States
Petroleum	Petroleum
Bed Bath & Beyond	Pleasant Hill
Best Buy	Chevron
Book Center Diablo	Ross
Valley College	Safeway
Buskirk Gas Mart & Car Wash	Staples
Expert Auto Care	Sun Valley Shell
Friedman's Appliances	TJ Maxx
Harbor Freight Tools	Target
JC Penney	Tesoro Gasoline
K Mart	Toys R Us
Kohls	Verizon Wireless

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$5,611,403	\$5,674,295
County Pool	710,474	878,187
State Pool	5,010	2,549
Gross Receipts	\$6,326,887	\$6,555,031
City/Cnty Share	(158,172)	(163,876)
Net Receipts	\$6,168,715	\$6,391,155
Less Triple Flip*	\$(1,542,179)	\$(1,597,789)

*Reimbursed from county compensation fund

Statewide Sales on the Rise

Adjusted for accounting aberrations, California's local sales and use tax revenues from transactions during the first quarter of 2011 were 9.2% higher than the previous year's comparable quarter. This represents the fifth consecutive quarter of recovery and the largest percentage gain since the second quarter of 2005. Total annual revenues however, are still 14.8 % below 2006-2007.

Most regions of the state shared in the increase with the largest contributor coming from a dramatic surge in fuel prices. Allocations from new car sales also were a factor with a statewide gain of 19.8% over the first quarter of 2010. Revenues from full service restaurants and consumer electronics exhibited increases of 10% or more.

California Outlook

The good news is that California's economy is recovering and sales tax growth will follow. However, gains in the next two quarters will be held back by temporary supply chain disruptions caused by the earthquake and tsunami in Japan and by reduced consumer spending as rising gas prices cut into disposable incomes. New uncertainties from further declines in home values and additional government layoffs may also soften consumer spending and business investment for the first half of the fiscal year.

Sales tax growth is expected to pick up in the second half although sluggish improvement in employment and lackluster construction spending will continue to affect the economies of the state's inland regions.

Internet Taxation

Under federal case law, states cannot require businesses without a physical presence in their state to collect sales tax. Companies such as Amazon have built their business plans around avoiding collecting the tax thereby put-

ting local brick and mortar stores at a competitive disadvantage.

This year, California has attempted to partially correct the inequity through the passage of ABX1 28 which combines the differing strategies of three previous bills with each designed to be severable in the event of a successful court challenge.

The first follows the lead of New York State by declaring that internet sales through a host of in-state affiliates constitutes "substantial nexus" and therefore makes sales through those affiliates subject to sales tax. ABX1 28 also prevents companies with in-state brick and mortar stores from treating those stores as separate legal entities to avoid collecting tax on internet sales. The third strategy permits the state to use a revised definition of "engaged in business in this state" if future court decisions expand the definition of nexus so that internet sellers must collect sales tax in their customers' jurisdictions.

ABX1 28 is expected to increase

statewide tax collections by \$317 million annually, with local governments splitting about \$39 million or roughly \$1.00 per capita. Revenues from these out of state sales would be distributed primarily though the countywide use tax allocation pools.

Staying Alive (shrinking retailers)

Agencies in smaller market areas may have fresh opportunities for new retail with big box stores now planning on smaller facilities. Reducing floor area is seen as another method of cost containment as consumer thriftiness keeps pressure on corporate profit margins. JC Penney, Petsmart, TJ Maxx and Staples have announced plans to build stores up to 40% smaller than their existing locations while Best Buy is planning to sublease part of the space in their existing stores and retail giant Wal-Mart is experimenting with stores as small as 14,000 square feet to recapture lost market share from dollar stores.

PLEASANT HILL TOP 15 BUSINESS TYPES

Business Type	Pleasant Hill		County	HdL State
	Q1 '11*	Change	Change	Change
Art/Gift/Novelty Stores	24.6	0.5%	1.3%	1.7%
Discount Dept Stores	— CONFIDENTIAL —		2.7%	2.1%
Electronics/Appliance Stores	228.4	4.6%	3.0%	11.9%
Family Apparel	89.6	-0.7%	1.7%	3.8%
Grocery Stores Liquor	52.9	2.5%	0.3%	-12.6%
Hardware Stores	27.1	1.4%	0.2%	1.1%
Home Furnishings	82.8	-2.2%	1.7%	5.1%
Office Supplies/Furniture	35.9	1.1%	13.6%	0.0%
Petroleum Prod/Equipment	— CONFIDENTIAL —		24.5%	35.9%
Restaurants Beer And Wine	52.3	-11.4%	-3.3%	-2.8%
Restaurants Liquor	85.0	18.5%	5.5%	8.1%
Restaurants No Alcohol	77.8	23.3%	9.6%	8.6%
Service Stations	153.2	50.0%	24.5%	19.8%
Specialty Stores	59.4	-1.5%	-1.4%	3.2%
Stationery/Book Stores	25.1	3.7%	-1.5%	-1.6%
Total All Accounts	\$1,385.5	6.4%	5.2%	7.5%
County & State Pool Allocation	246.7	45.6%		
Gross Receipts	\$1,632.2	10.9%		
City/County Share	(40.8)	-10.9%		
Net Receipts	\$1,591.4	10.9%		<i>*In thousands</i>