

# Q2 2014



# City of Seal Beach Sales Tax *Update*

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

## Seal Beach In Brief

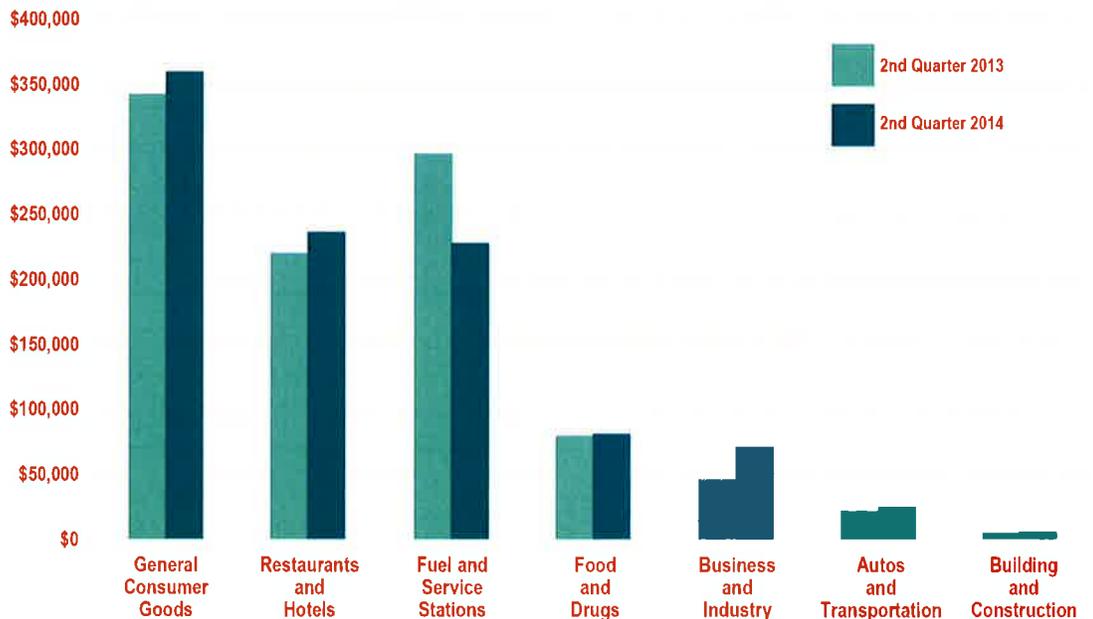
Receipts for Seal Beach's April through June sales were 0.4% lower than the same quarter one year ago. Actual sales activity was down 1.9% when reporting aberrations were factored out.

A decline in sales from the fuel and service stations sector was primarily responsible for the decrease.

The losses were offset by a strong sales quarter for business & industry and general consumer goods. Recent additions helped boost revenues from restaurants.

Adjusted for aberrations, taxable sales for all of Orange County increased 4.3% over the comparable time period, while the Southern California region as a whole was up 4.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AT&T Mobility	Marshalls
Bacardi USA	Old Ranch Country Club
Baker Tanks	Original Parts Group
Bed Bath & Beyond	Pavilions
Chevron	Ralphs
Chevron	Roger Dunn Golf Shop
Coldwater Creek US	Seal Beach Mobil
College Park Mobil	Spghettini
Conkle 76	Target
CVS Pharmacy	Toys R Us
Energy Tubulars	Walt's Wharf
Home Goods	
In N Out Burgers	
Kohls	

## REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,009,573	\$1,004,581
County Pool	111,428	111,657
State Pool	698	759
<b>Gross Receipts</b>	<b>\$1,121,699</b>	<b>\$1,116,997</b>
<b>Less Triple Flip*</b>	<b>\$(280,425)</b>	<b>\$(279,249)</b>

\*Reimbursed from county compensation fund

**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 re-directed 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.

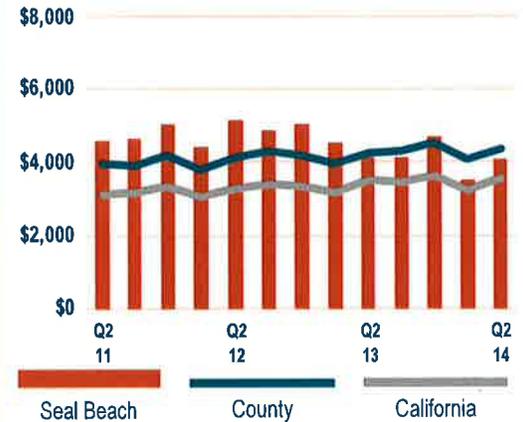
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

**Allocation Formulas Corrected**

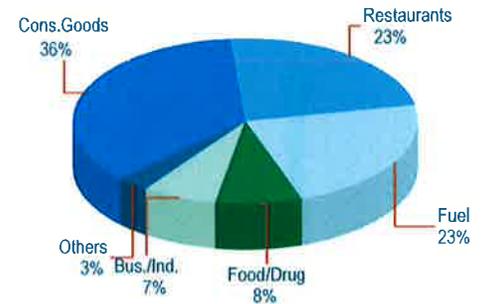
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5625 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**  
Seal Beach This Quarter



**SEAL BEACH TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	Seal Beach Q2 '14*	Seal Beach Change	County Change	HdL State Change
Casual Dining	111.0	7.5%	1.5%	3.8%
Department Stores	— CONFIDENTIAL —	—	0.8%	2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.6%	2.9%
Drug Stores	— CONFIDENTIAL —	—	8.9%	10.0%
Family Apparel	31.6	10.9%	4.3%	9.6%
Fast-Casual Restaurants	27.8	5.4%	7.1%	10.3%
Fine Dining	— CONFIDENTIAL —	—	12.8%	15.3%
Grocery Stores Liquor	— CONFIDENTIAL —	—	5.0%	5.7%
Home Furnishings	45.3	1.9%	7.4%	6.8%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	4.6%	-0.7%
Quick-Service Restaurants	54.4	27.3%	6.2%	6.6%
Repair Shop/Equip. Rentals	22.3	na	-25.9%	-9.2%
Service Stations	119.5	4.9%	10.4%	6.7%
Specialty Stores	40.0	12.3%	5.9%	7.7%
Women's Apparel	45.8	35.7%	-3.6%	2.1%
<b>Total All Accounts</b>	<b>\$1,004.6</b>	<b>-0.5%</b>	<b>3.6%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$112.4</b>	<b>0.3%</b>	<b>4.4%</b>	<b>12.7%</b>
<b>Gross Receipts</b>	<b>\$1,117.0</b>	<b>-0.4%</b>	<b>3.7%</b>	<b>3.9%</b>