

Q2 2012



City of Lemoore Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

Lemoore In Brief

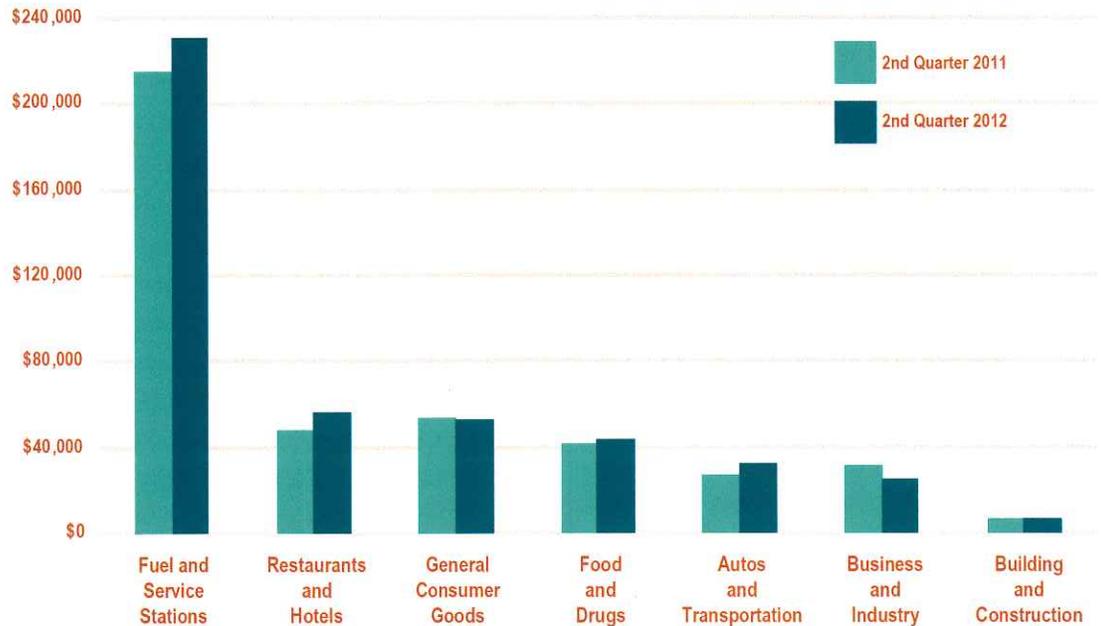
Receipts for Lemoore's April through June sales were 0.6% higher than the same quarter one year ago. Actual sales activity was up 1.6% when reporting aberrations were factored out.

The city experienced a strong sales quarter for the fuel and service stations sector. Reporting aberrations inflated results from restaurants. Recent additions helped boost receipts from autos and transportation.

The gains were offset by an accounting adjustment that negatively impacted the business and industry group and a decline in sales from general consumer goods.

Adjusted for aberrations, taxable sales for all of Kings County increased 3.3% over the comparable time period, while the San Joaquin Valley as a whole was up 6.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	K Mart
Animal House	Lemoore Auto Mall
Auto Zone	Lemoore Crossings
Best Buy Market	Lemoore Mini Mart
Billingsley Tire	Lemoore Mobil
Buford Oil	Leprino Foods
Burrows & Castadio	McDonalds
Bush Street Chevron	Olam Tomato Processors
Fastrip	Rite Aid
Fastrip	Save Mart
Gary Burrows	Taco Bell
Jack in the Box	Walgreens
K & H Liquor Food & Gas	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$423,591	\$445,569
County Pool	79,972	60,514
State Pool	(267)	454
Gross Receipts	\$503,296	\$506,537
Cty/Cnty Share	(10,066)	(10,131)
Net Receipts	\$493,230	\$496,406
Less Triple Flip*	\$(123,308)	\$(124,102)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier. Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

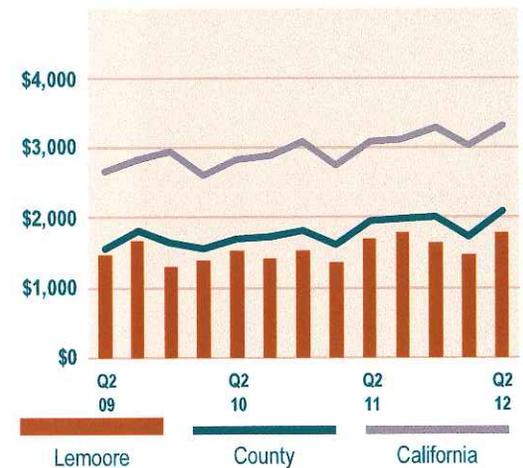
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

SALES PER CAPITA



LEMOORE TOP 15 BUSINESS TYPES

Business Type	Lemoore		County	HdL State
	Q2 '12	Change	Change	Change
Auto Repair Shops	4,081	0.2%	5.6%	4.9%
Automotive Supply Stores	23,861	10.7%	2.7%	8.1%
Discount Dept Stores	— CONFIDENTIAL —	—	1.0%	3.7%
Drug Stores	— CONFIDENTIAL —	—	5.0%	3.5%
Food Mfg.	19,684	-11.0%	1.0%	6.2%
Grocery Stores Beer/Wine	12,217	5.5%	4.3%	7.1%
Grocery Stores Liquor	— CONFIDENTIAL —	—	6.5%	4.2%
Grocery-No Alcohol	— CONFIDENTIAL —	—	-27.8%	11.3%
Package Liquor Stores	— CONFIDENTIAL —	—	10.9%	4.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	16.9%	3.5%
Restaurants Beer And Wine	10,735	16.4%	-4.8%	0.3%
Restaurants Liquor	5,782	93.6%	24.0%	11.2%
Restaurants No Alcohol	37,578	11.9%	3.0%	8.1%
Service Stations	88,166	-7.7%	-6.5%	2.3%
Used Automotive Dealers	— CONFIDENTIAL —	—	51.7%	13.6%
Total All Accounts	\$445,569	5.2%	6.9%	6.7%
County & State Pool Allocation	60,968	-23.5%		
Gross Receipts	\$506,537	0.6%		
City/County Share	(10,131)	-0.6%		
Net Receipts	\$496,406	0.6%		