Q4 2014

# City of Lemoore Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2014)*

## Lemoore In Brief

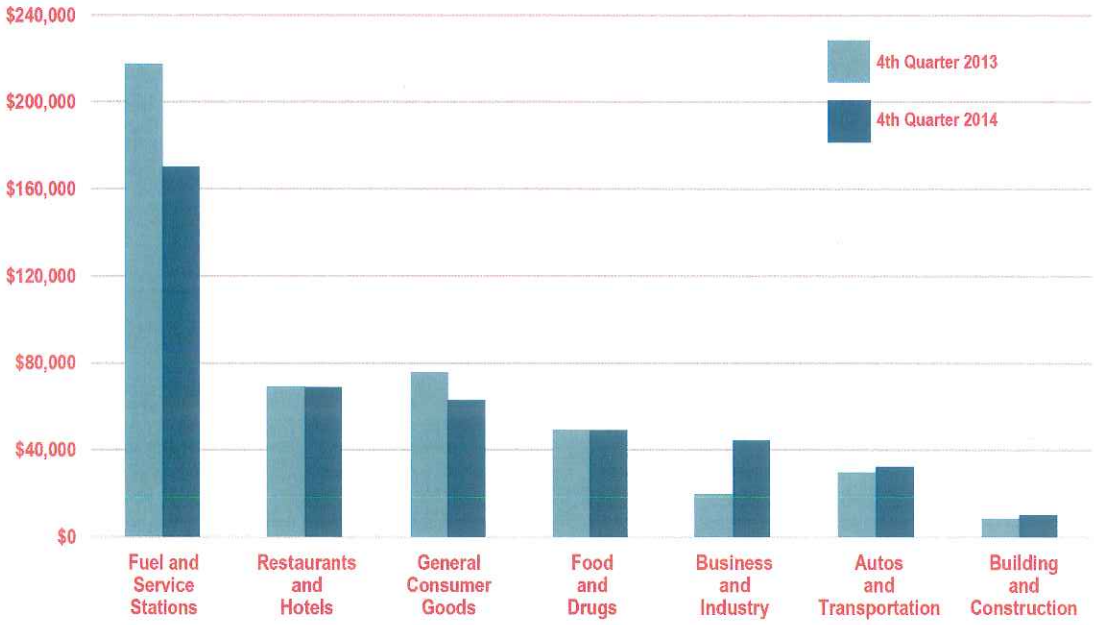
Receipts for Lemoore's October through December sales were 4.5% lower than the same quarter one year ago. Actual sales activity was down 5.3% when reporting aberrations were factored out.

A decline in sales from the fuel and service stations sector was primarily responsible for the current decrease. A onetime accounting adjustment that inflated year-ago returns caused the drop in general consumer goods.

The losses were partially offset by a onetime accounting adjustment that inflated results from the business and industry group. A recent addition helped boost revenues from building and construction.

Adjusted for aberrations, taxable sales for all of Kings County increased 6.7% over the comparable time period, while the San Joaquin Valley as a whole was up 1.5%.

## Sales Tax by Major Business Group




## Top 25 Producers

In Alphabetical Order

- 7 Eleven
- Auto Zone
- Best Buy Market
- Billingsley Tire
- Buford Oil
- Burrows & Castadio
- Bush Street Chevron
- Chevron
- Dassels Petroleum
- Dollar Tree
- Fastrip
- Fastrip
- Jack in the Box
- K Mart
- Lemoore Auto Mall DBA Bronco Trailer
- Lemoore Mobil
- Lemoore Valero
- Leprino Foods
- McDonalds
- Me N Eds Pizza Parlor
- Rite Aid
- Save Mart
- SK Foods
- Taco Bell
- Walgreens

## Revenue Comparison

Three Quarters – Fiscal Year To Date

| | 2013-14 | 2014-15 |
|---|---|---|
| Point-of-Sale | $1,486,411 | $1,433,965 |
| County Pool | 226,069 | 223,116 |
| State Pool | 891 | 1,239 |
| Gross Receipts | $1,713,371 | $1,658,320 |
| Cty/Cnty Share | (34,267) | (33,166) |
| Net Receipts | **$1,679,103** | **$1,625,154** |
| Less Triple Flip* | $(419,776) | $(406,288) |

**Reimbursed from county compensation fund*

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NOTES

### Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

### Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

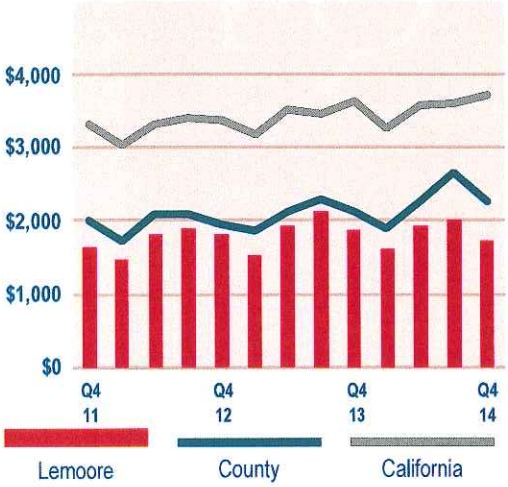
### Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of $15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

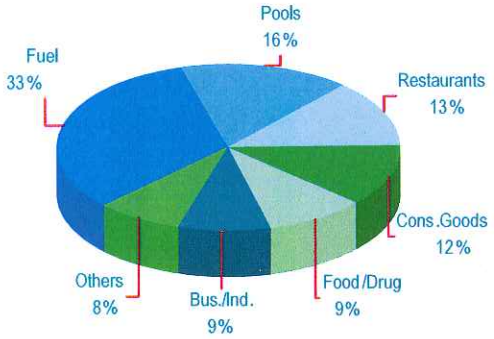
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

## Sales Per Capita




## Revenue by Business Group

Lemoore This Quarter




## Lemoore Top 15 Business Types

| Business Type | Lemoore Q4 '14 | Lemoore Change | County Change | HdL State Change |
|---|---|---|---|---|
| Auto Repair Shops | 5,535 | 12.7% | 8.7% | 5.9% |
| Automotive Supply Stores | 22,124 | 2.9% | 7.9% | 2.0% |
| Casual Dining | 17,590 | -5.1% | -3.8% | 6.4% |
| Discount Dept Stores | — CONFIDENTIAL — | | -2.8% | 0.9% |
| Drug Stores | — CONFIDENTIAL — | | 1.0% | -2.3% |
| Food Service Equip./Supplies | — CONFIDENTIAL — | | 42.2% | 7.9% |
| Fuel/Ice Dealers | — CONFIDENTIAL — | | -6.7% | -3.3% |
| Grocery Stores Beer/Wine | 16,123 | -9.5% | -13.6% | -4.0% |
| Grocery Stores Liquor | — CONFIDENTIAL — | | 2.7% | 3.5% |
| Hardware Stores | — CONFIDENTIAL — | | -2.8% | 3.8% |
| Liquor Stores | — CONFIDENTIAL — | | -6.7% | 8.2% |
| Petroleum Prod/Equipment | — CONFIDENTIAL — | | -10.0% | -9.5% |
| Quick-Service Restaurants | 47,570 | 2.7% | 13.9% | 7.4% |
| Service Stations | 80,025 | -16.1% | 5.7% | -10.6% |
| Variety Stores | — CONFIDENTIAL — | | -0.5% | 3.2% |
| **Total All Accounts** | **$437,389** | **-6.7%** | **5.5%** | **3.8%** |
| **County & State Pool Allocation** | **$83,723** | **8.9%** | **23.2%** | **4.7%** |
| **Gross Receipts** | **$521,112** | **-4.5%** | **8.0%** | **3.9%** |
| **City/County Share** | **(10,422)** | **4.5%** | | |
| **Net Receipts** | **$510,690** | **-4.5%** | | |