

# Q2 2015



# City of Rosemead Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

## Rosemead In Brief

Rosemead's receipts from April through June were 5.5% above the second sales period in 2014. Excluding reporting aberrations, actual sales were up 5.7%.

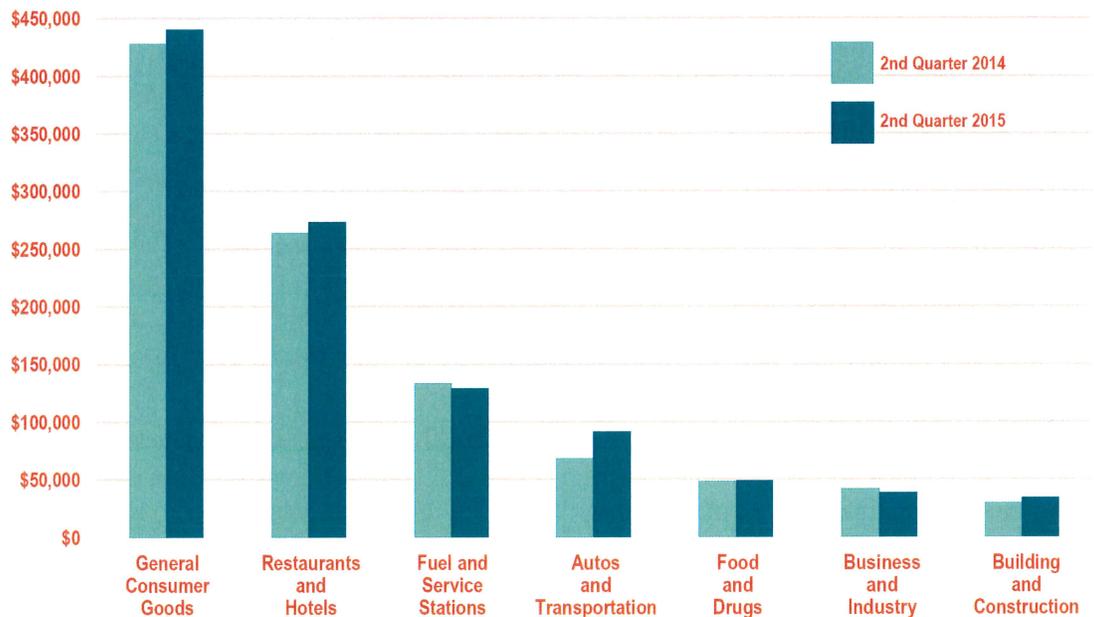
A new addition for used automotive dealers was responsible for the increase in receipts. General consumer goods showed strong gains over the same period in the prior year.

A late payment that posted this period helped to offset the losses in the fuel and service station sector. An accounting adjustment in the same period last year caused a decrease in business and industry.

The city's share of the countywide use tax pool grew 17.9% over the comparison period.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.6% over the comparable time period; the Southern California region was up 3.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	McDonalds
888 Seafood	McDonalds
AutoZone	Olive Garden
CH Auto	Panda Express
Chevron	Rosemead Mobil
Circle K	Rosemead Valley Mart Mobil
Dunn Edwards Paints	Sea Harbour Seafood
East Gourmet Seafood	Spikes Bar & Grill
H J Auto Group	Target
In N Out Burgers	Tesoro Refining & Marketing
JB Pipe & Supply	TGI Fridays
Kami Buffet & Grill	Walmart
Macy's	

## REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$1,012,827	\$1,053,729
County Pool	116,219	137,060
State Pool	767	887
Gross Receipts	\$1,129,813	\$1,191,676
Less Triple Flip*	\$(282,453)	\$(297,919)

\*Reimbursed from county compensation fund

**Statewide Sales Tax Trends**

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

**The Remaining Fiscal Year**

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

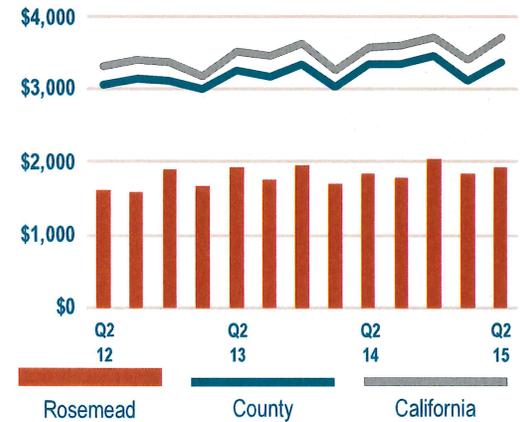
**Internet Sales Tax Proposal**

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

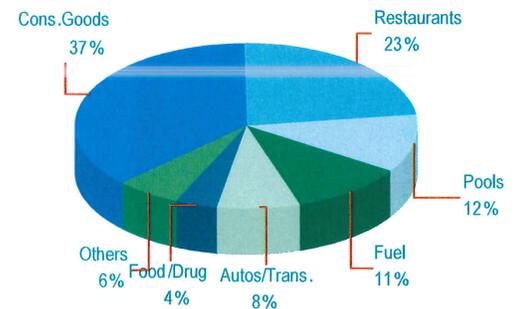
The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Rosemead This Quarter



**ROSEMEAD TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Rosemead Q2 '15*	Rosemead Change	County Change	HdL State Change
Auto Repair Shops	19.9	4.3%	6.7%	7.2%
Automotive Supply Stores	20.1	9.8%	9.1%	5.5%
Casual Dining	134.3	19.9%	5.9%	6.1%
Department Stores	— CONFIDENTIAL —	—	-0.8%	-2.1%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.4%	-0.1%
Drug Stores	18.0	-10.2%	-8.4%	-8.0%
Electronics/Appliance Stores	12.5	-45.4%	-4.9%	-1.5%
Fast-Casual Restaurants	21.9	0.7%	9.9%	9.7%
Grocery Stores Beer/Wine	13.2	-2.8%	4.5%	2.2%
Grocery Stores Liquor	10.8	26.3%	2.7%	3.6%
Light Industrial/Printers	13.4	25.4%	0.9%	0.5%
Quick-Service Restaurants	111.9	-11.4%	8.2%	9.2%
Service Stations	128.8	-3.4%	-15.7%	-11.7%
Specialty Stores	22.8	39.2%	6.8%	5.6%
Used Automotive Dealers	47.7	73.6%	12.8%	14.7%
<b>Total All Accounts</b>	<b>1,053.7</b>	<b>4.0%</b>	<b>1.8%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>137.9</b>	<b>17.9%</b>	<b>15.4%</b>	<b>11.8%</b>
<b>Gross Receipts</b>	<b>1,191.7</b>	<b>5.5%</b>	<b>3.2%</b>	<b>3.8%</b>

# Q3 2015



# City of Rosemead Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

## Rosemead In Brief

Rosemead's receipts from July through September were 9.2% above the third sales period in 2014.

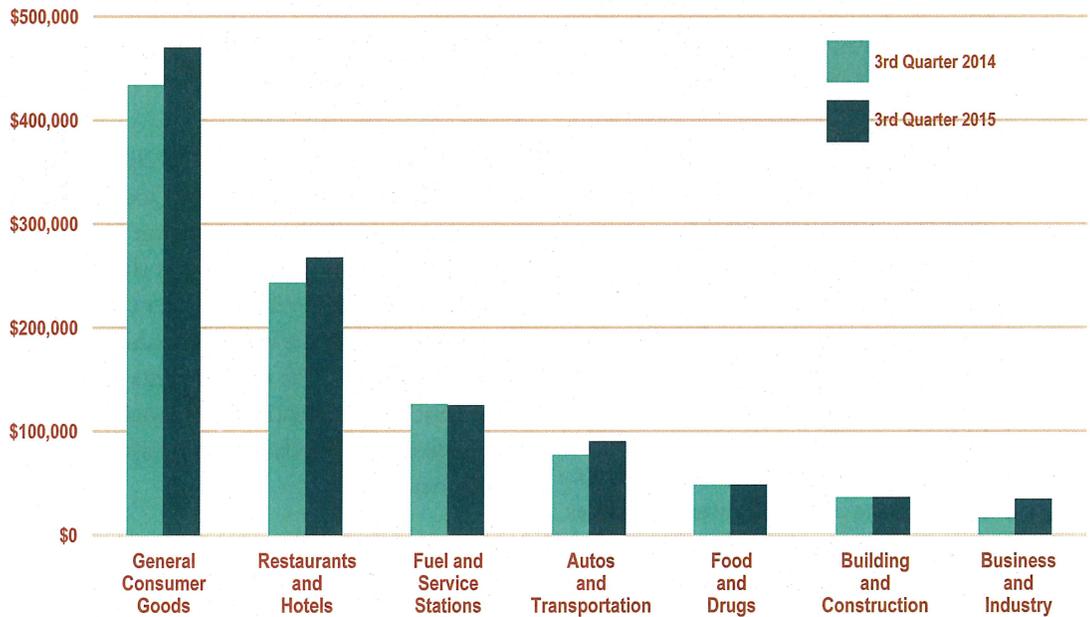
Solid summer sales by multiple general consumer goods retailers and continued consumer interest in dining out coupled with increased restaurant options boosted receipts, accounting for 59% of the overall gain.

Strong growth in used car sales supported by larger inventories and low interest rates on long-term financing options boosted the autos group, while increased allocations from the countywide use tax pool further enhanced the positive results.

Abundant global supply of crude oil continued to weaken retail gas prices and further depress returns from services stations, partially offsetting the gains.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.6% over the comparable time period; the Southern California region was up 3.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Kami Buffet & Grill
888 Seafood	Macys
Allied Building Products	McDonalds
AutoZone	McDonalds
Bed Bath & Beyond	Olive Garden
CH Auto	Rosemead Mobil
Chevron	Rosemead Valley Mart Mobil
Circle K	Sea Harbour Seafood
Dunn Edwards Paints	Target
East Gourmet Seafood	Tesoro Refining & Marketing
H J Auto Group	TGI Fridays
In N Out Burgers	Walmart
JB Pipe & Supply	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$1,996,377	\$2,126,344
County Pool	232,727	265,731
State Pool	1,440	1,087
<b>Gross Receipts</b>	<b>\$2,230,544</b>	<b>\$2,393,161</b>
Less Triple Flip*	\$(557,636)	\$(598,290)

\*Reimbursed from county compensation fund

**Statewide Results**

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

**Online Retail Sales Continue to Outpace Brick & Mortar Stores**

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

**New Restrictions on Tax Sharing Agreements**

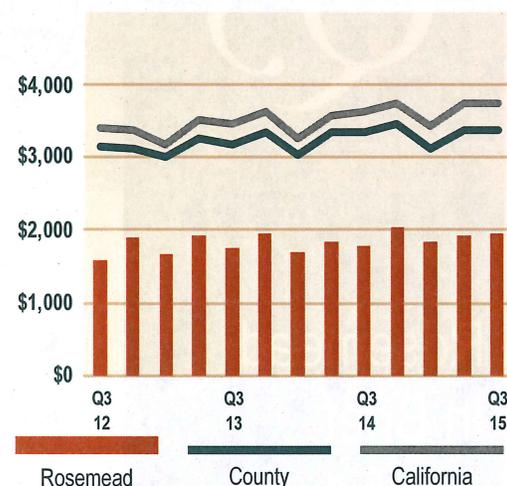
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

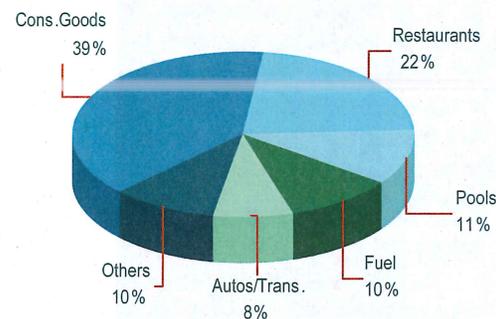
The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Rosemead This Quarter



**ROSEMEAD TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Rosemead Q3 '15*	Rosemead Change	County Change	HdL State Change
Auto Repair Shops	18.7	-13.8%	3.4%	6.3%
Automotive Supply Stores	18.3	3.3%	4.4%	5.1%
Casual Dining	126.3	16.3%	7.6%	5.5%
Contractors	11.1	13.1%	14.6%	12.9%
Department Stores	—	CONFIDENTIAL	-0.1%	-0.6%
Discount Dept Stores	—	CONFIDENTIAL	2.5%	2.1%
Drug Stores	17.4	-2.3%	-0.9%	-1.5%
Electronics/Appliance Stores	17.6	-8.2%	4.0%	3.9%
Fast-Casual Restaurants	22.0	0.2%	11.7%	10.9%
Grocery Stores Beer/Wine	14.6	0.4%	2.8%	1.9%
Home Furnishings	23.3	18.2%	4.9%	5.1%
Quick-Service Restaurants	114.2	4.2%	4.9%	6.7%
Service Stations	125.2	-1.0%	-9.2%	-11.8%
Specialty Stores	17.6	1.7%	9.6%	5.7%
Used Automotive Dealers	49.7	42.8%	17.6%	13.8%
<b>Total All Accounts</b>	<b>1,072.6</b>	<b>9.1%</b>	<b>2.3%</b>	<b>2.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>128.9</b>	<b>10.0%</b>	<b>3.2%</b>	<b>3.5%</b>
<b>Gross Receipts</b>	<b>1,201.5</b>	<b>9.2%</b>	<b>2.4%</b>	<b>2.4%</b>

# Q4 2015



# City of Rosemead Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2015)*

## Rosemead In Brief

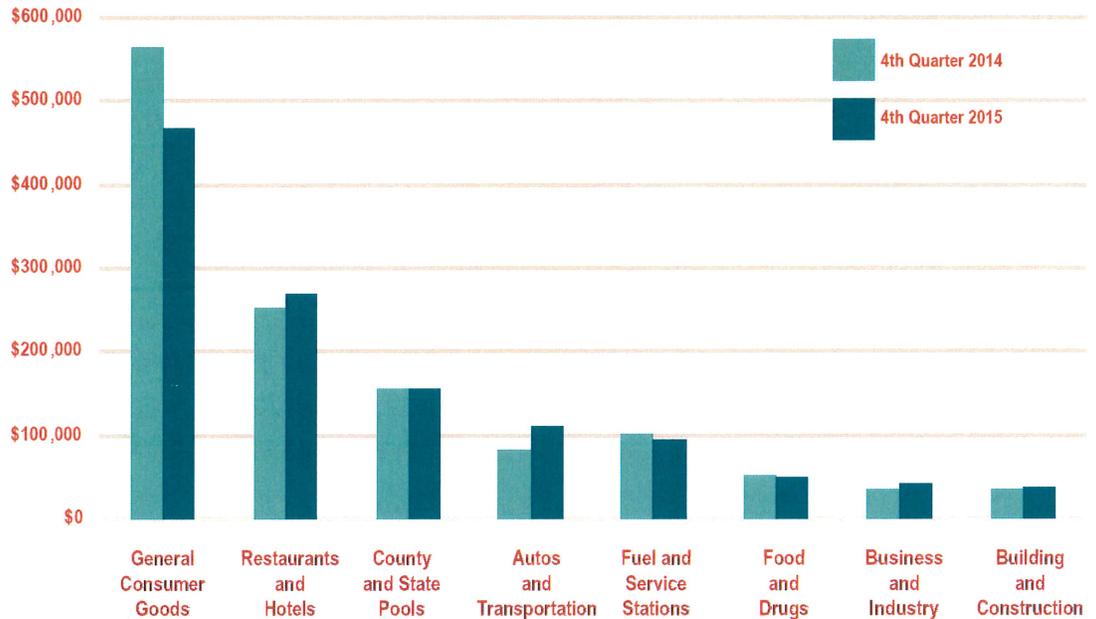
Rosemead's receipts from October through December were 4.5% below 2014's fourth quarter sales.

Most major industry groups were up for the period, but general consumer, fuel and service station, and food and drug results declined. Several new business additions helped prop up the general consumer comparison but a one-time reporting error created a net drop in group totals. Lower prices at the pump continued to yield negative fuel and service station results. Retroactive accounting adjustments that boosted totals a year ago, caused the food and drugs drop.

A jump in used auto sales supported an unusually strong increase in the autos and transportation category. New casual dining restaurants and gains in other eatery classifications lifted restaurant and hotel proceeds. Building and construction sales showed a modest increase.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.4% over the comparable time period; the Southern California region was up 2.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	McDonalds
888 Seafood	Olive Garden
Allied Building Products	Panda Express
AutoZone	Rosemead Mobil
CH Auto	Rosemead Valley Mart Mobil
Chevron	Sea Harbour Seafood
Circle K	Spa Nails Supply
East Gourmet Seafood	Target
H J Auto Group	Tesoro Refining & Marketing
Hermetic Seal	TGI Fridays
In N Out Burgers	Ulta
Kami Buffet & Grill	Walmart
McDonalds	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$3,121,743	\$3,194,292
County Pool	387,291	419,272
State Pool	2,683	3,517
<b>Gross Receipts</b>	<b>\$3,511,716</b>	<b>\$3,617,080</b>
Less Triple Flip*	\$(877,929)	\$(904,270)

\*Reimbursed from county compensation fund

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**California Overall**

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

**The Triple Flip Is Over!**

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

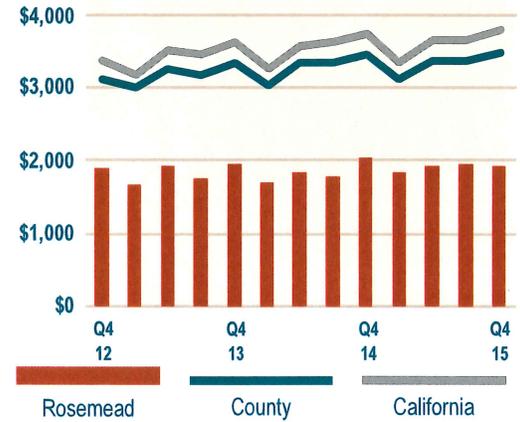
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

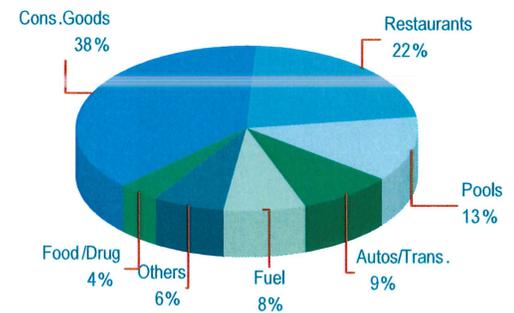
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Rosemead This Quarter



**ROSEMEAD TOP 15 BUSINESS TYPES**

\*In thousands of dollars

Business Type	Rosemead		County	HdL State
	Q4 '15*	Change	Change	Change
Auto Repair Shops	21.0	2.1%	6.7%	5.7%
Automotive Supply Stores	19.0	0.3%	5.2%	5.3%
Casual Dining	129.2	8.4%	9.1%	6.2%
Discount Dept Stores	—	CONFIDENTIAL	3.8%	3.0%
Drug Stores	19.4	4.3%	2.8%	1.1%
Electronics/Appliance Stores	19.7	-36.9%	-2.7%	0.7%
Fast-Casual Restaurants	20.5	-2.4%	5.3%	7.3%
Grocery Stores Beer/Wine	13.4	-10.4%	3.7%	2.0%
Home Furnishings	14.2	4.0%	-1.9%	2.0%
Light Industrial/Printers	21.8	102.9%	15.2%	5.3%
Lumber/Building Materials	—	CONFIDENTIAL	10.8%	10.1%
Quick-Service Restaurants	113.1	4.8%	6.1%	7.9%
Service Stations	94.8	-6.5%	-10.0%	-10.5%
Specialty Stores	69.7	208.1%	7.2%	4.2%
Used Automotive Dealers	67.1	62.1%	7.6%	10.2%
<b>Total All Accounts</b>	<b>1,067.9</b>	<b>-5.1%</b>	<b>1.6%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>156.0</b>	<b>0.1%</b>	<b>7.2%</b>	<b>10.8%</b>
<b>Gross Receipts</b>	<b>1,223.9</b>	<b>-4.5%</b>	<b>2.3%</b>	<b>3.5%</b>