

# Q3 2014



# Huntington Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

## Huntington Beach In Brief

Receipts for Huntington Beach's July through September sales were 8.2% higher than the same quarter one year ago. Actual sales activity was up 4.8% when reporting aberrations were factored out.

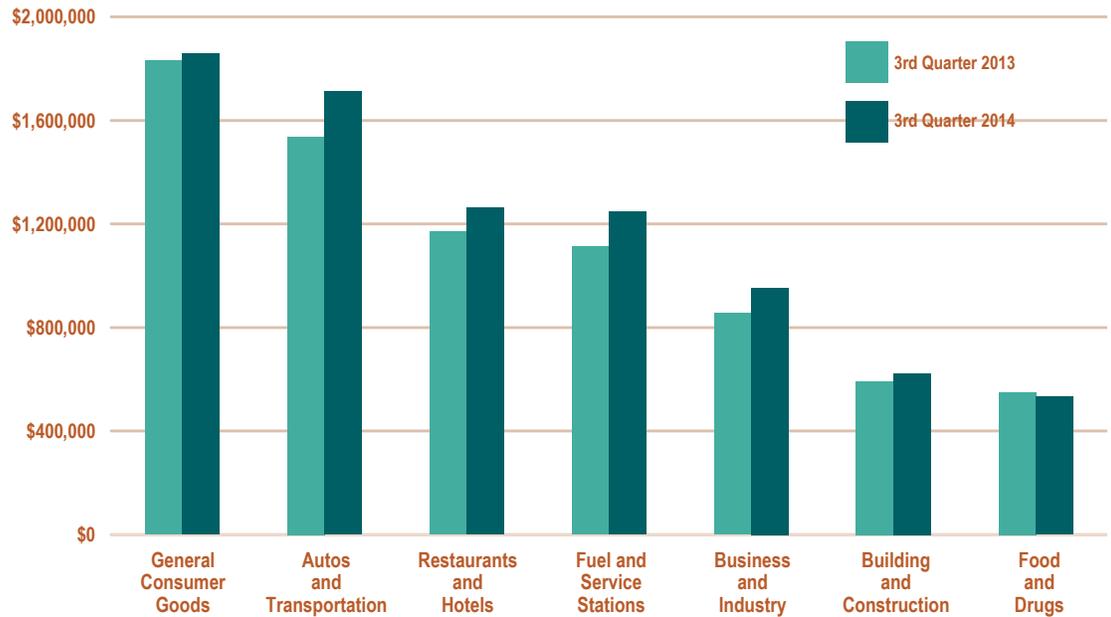
Strong sales for new motor vehicle dealers and petroleum products/equipment combined with an increase in the City's allocation from the county use tax pool were primarily responsible for the current increase.

A onetime payment inflated overall receipts from the business and industry sector. The double-up of a previously late payment exaggerated returns from service stations.

The gains were partially offset by a decline in sales from office supplies/furniture. A onetime accounting adjustment that inflated year-ago returns caused the drop in grocery stores.

Adjusted for aberrations, taxable sales for all of Orange County increased 3.9% over the comparable time period, while the Southern California region as a whole was up 5.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACS Applied Computer Solutions	Huntington Beach Mazda
Albertsons	Huntington Beach Toyota Scion Kia
Aloha Grill	Hyatt Regency Huntington Beach
Baker Oil Tools	Kohls
Byram Healthcare Centers	Lowes
Car Pros Kia	Norm Reeves Honda
Chevron	Pinnacle Petroleum
Costco	Reliable Wholesale Lumber
Delillo Chevrolet	Siemens Westinghouse Power
Home Depot	Surf City Nissan
Huntington Beach Chrysler Dodge Jeep Ram	Target
Huntington Beach Ford	Walmart
	Warner Gas & Smog

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$7,650,798	\$8,188,129
County Pool	804,404	959,120
State Pool	2,862	5,593
<b>Gross Receipts</b>	<b>\$8,458,064</b>	<b>\$9,152,843</b>
Less Triple Flip*	\$(2,114,516)	\$(2,288,211)

\*Reimbursed from county compensation fund

## California Overall

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

## The Impact of Falling Gas Prices on Sales Tax

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

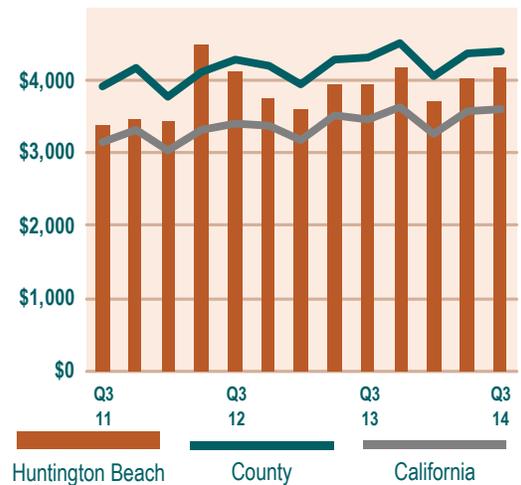
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

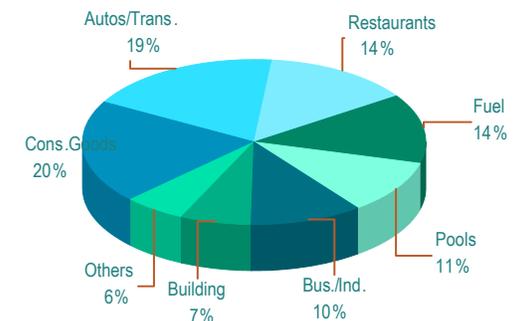
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP

Huntington Beach This Quarter



## HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Huntington Beach Q3 '14*	Change	County Change	HdL State Change
Casual Dining	648.6	5.9%	3.8%	6.2%
Department Stores	134.8	50.6%	-0.1%	0.8%
Discount Dept Stores	— CONFIDENTIAL —		1.9%	2.5%
Family Apparel	160.4	-10.3%	7.2%	5.9%
Grocery Stores Liquor	207.9	-11.8%	5.7%	8.6%
Hotels-Liquor	138.6	24.6%	4.2%	6.4%
Light Industrial/Printers	142.7	20.8%	1.1%	5.4%
Lumber/Building Materials	531.3	8.8%	0.2%	4.6%
New Motor Vehicle Dealers	1,367.6	11.8%	7.4%	8.0%
Office Supplies/Furniture	242.2	-25.8%	-37.2%	0.2%
Petroleum Prod/Equipment	542.8	17.1%	21.4%	4.6%
Quick-Service Restaurants	308.1	3.0%	7.6%	8.4%
Service Stations	703.8	8.3%	3.9%	1.2%
Specialty Stores	254.9	9.5%	4.6%	5.8%
Sporting Goods/Bike Stores	222.8	9.7%	2.5%	0.7%
<b>Total All Accounts</b>	<b>\$8,188.1</b>	<b>7.0%</b>	<b>3.0%</b>	<b>5.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$964.7</b>	<b>19.5%</b>	<b>15.0%</b>	<b>10.2%</b>
<b>Gross Receipts</b>	<b>\$9,152.8</b>	<b>8.2%</b>	<b>4.2%</b>	<b>6.1%</b>