

# Q2 2014



# City of McFarland Sales Tax *Update*

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

## McFarland In Brief

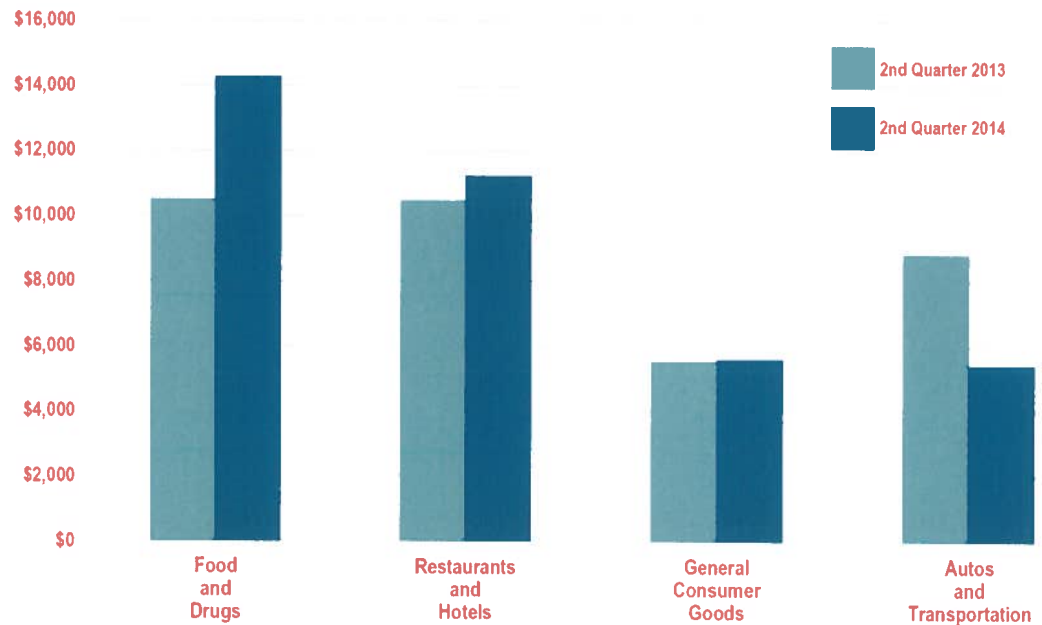
Receipts for McFarland's April through June sales were 0.9% lower than the same quarter one year ago. Actual sales activity was up 4.9% when reporting aberrations were factored out.

Due to onetime negative payment adjustments several major business groups experienced current quarter declines.

The losses were partially offset by improved sales which boosted returns from both the food and drugs and restaurant groups. General consumer goods had mixed results with a slight net gain in receipts.

Adjusted for aberrations, taxable sales for all of Kern County increased 9.1% over the comparable time period, while the San Joaquin Valley as a whole was up 6.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

A & M Food Market	Jaco Oil
Capri Liquor & Delicatessen	Little Panda
Carniceria Janitzio	Marias Pizza
Community Market	Mc Farland Unified School District
Discount Mart	McDonalds
Dollar General	McFarland Chevron
Esperanza Food and Market	McFarland Tire Service
Fast Lane Food Mart	Palace Market
Fernandos Flower Shop	Pokers Pizza
Fiesta Market	Ranchito Market
Goertzen Service Center	Sno White Drive Inn
Irrigation Concepts	Sonora Food Market
	Subway

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$73,422	\$71,834
County Pool	9,764	10,596
State Pool	52	56
<b>Gross Receipts</b>	<b>\$83,237</b>	<b>\$82,487</b>
<b>Less Triple Flip*</b>	<b>\$(20,809)</b>	<b>\$(20,622)</b>

\*Reimbursed from county compensation fund

NOTES

**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.

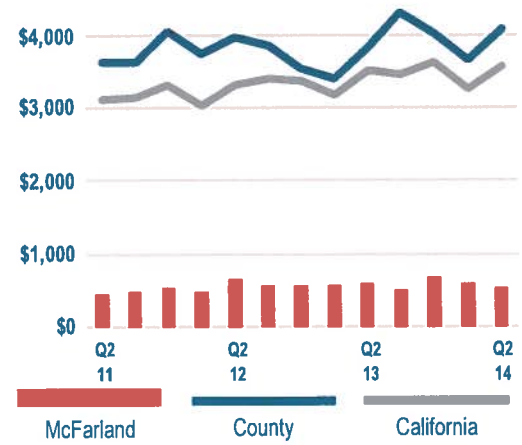
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

**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 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

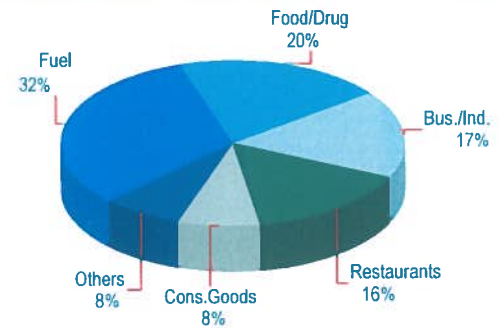
Inconsistencies in the public safety remittances brought to the state's attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

McFarland This Quarter



**MCFARLAND TOP 15 BUSINESS TYPES**

Business Type	McFarland		County	HdL State
	Q2 '14	Change	Change	Change
Auto Repair Shops	— CONFIDENTIAL —	—	-5.9%	4.1%
Automotive Supply Stores	— CONFIDENTIAL —	—	1.8%	2.4%
Casual Dining	— CONFIDENTIAL —	—	-1.5%	3.8%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	22.6%	10.3%
Florist Shops	— CONFIDENTIAL —	—	-5.6%	18.0%
General Merchandise	— CONFIDENTIAL —	—	-5.2%	0.2%
Government/Social Org.	— CONFIDENTIAL —	—	-12.0%	6.7%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	-1.6%	2.0%
Grocery Stores Liquor	6,851	142.1%	10.3%	5.7%
Package Liquor Stores	— CONFIDENTIAL —	—	2.5%	6.9%
Quick-Service Restaurants	9,831	7.1%	2.9%	6.6%
Service Stations	— CONFIDENTIAL —	—	2.8%	6.7%
Textiles/Furnishings	— CONFIDENTIAL —	—	14.3%	15.5%
Variety Stores	— CONFIDENTIAL —	—	6.0%	8.6%
Warehouse/Farm/Const. Equip.	— CONFIDENTIAL —	—	-2.7%	13.8%
<b>Total All Accounts</b>	<b>\$71,834</b>	<b>-2.2%</b>	<b>8.7%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$10,652</b>	<b>8.5%</b>	<b>20.5%</b>	<b>12.7%</b>
<b>Gross Receipts</b>	<b>\$82,487</b>	<b>-0.9%</b>	<b>10.1%</b>	<b>3.9%</b>