

Q1 2015



Santa Cruz County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

Santa Cruz County In Brief

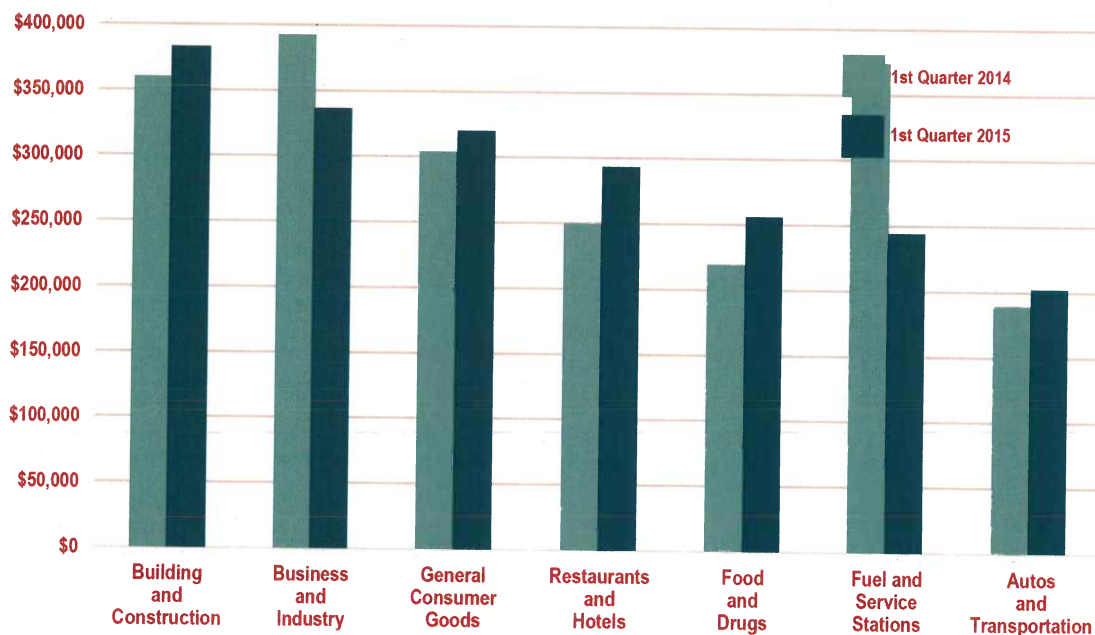
Receipts for the unincorporated area's January through March sales were 2.1% lower than the same quarter one year ago. However, a large payment anomaly in the comparison period from a garden-agricultural supplier skewed the results. Actual sales activity was up 4.7% when reporting aberrations were factored out.

Multiple categories of building-construction experienced solid results including lumber-building materials and plumbing-electrical suppliers. Continued consumer interest in eating out combined with the opening of a casual dining establishment, led to higher receipts from restaurants and hotels.

For the second straight quarter, lower retail gas prices due to increased global production of oil were responsible for the drop from service stations, however payment anomalies in the current and year ago period further exaggerated the declines.

Adjusted for aberrations, taxable sales for all of Santa Cruz County increased 7.9% over the comparable time period, while the Central Coast region as a whole was up 3.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

American Builders Contractors Supply	Performance Food Group
Best Buy	Pet Pals
Big Creek Lumber	Probuild Company
Boulder Creek Beacon Station	Safeway
Crop Production Services	Safeway Gasoline
Felton Valero	Santa Cruz Hydroponics & Organics
Ferguson Enterprises	Scarborough Home Center
Home Depot	Seascape Resort
Marshalls	Staples
Ocean Honda	Steves Union Service
Ocean Street Chevron	Tesoro West Coast
Palace Art & Office Supply	Toys R Us
	Valero

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$8,669,211	\$9,014,736
County Pool	1,103,124	1,137,603
State Pool	5,832	5,954
Gross Receipts	\$9,778,167	\$10,158,293
Less Triple Flip*	\$(2,444,542)	\$(2,539,573)

*Reimbursed from county compensation fund

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California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 ½% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

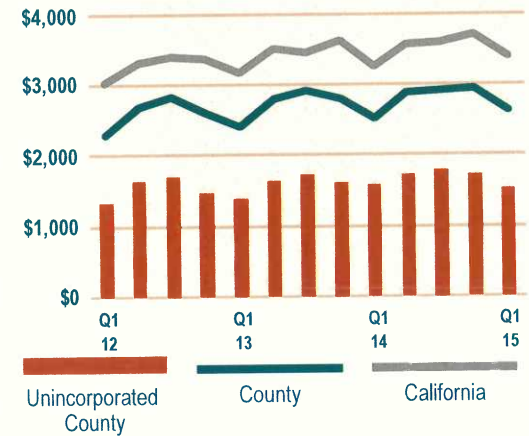
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

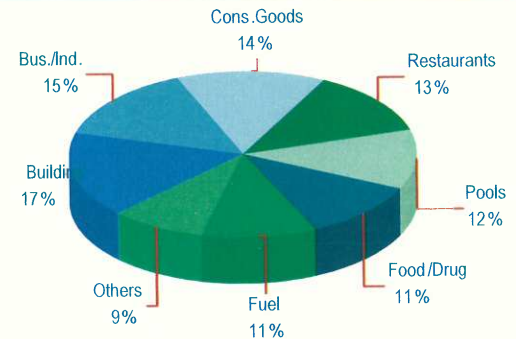
Tax on Marijuana

A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Santa Cruz County This Quarter



SANTA CRUZ COUNTY TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands</i>			
	Unincorporated County Q1 '15*	County Change	County Change	HdL State Change
Auto Repair Shops	57.1	7.1%	5.4%	7.0%
Casual Dining	165.0	18.1%	15.9%	5.6%
Contractors	45.8	1.5%	20.7%	15.2%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	-4.9%	-0.4%
Family Apparel	41.0	21.2%	8.6%	9.8%
Garden/Agricultural Supplies	121.6	-39.3%	28.5%	17.0%
Grocery Stores Liquor	— CONFIDENTIAL —	—	4.2%	5.0%
Home Furnishings	57.5	7.7%	11.9%	8.2%
Liquor Stores	48.7	17.8%	10.9%	6.8%
Lumber/Building Materials	248.5	8.6%	-3.7%	-2.9%
Marijuana Dispensary	56.9	41.6%	75.3%	44.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	12.9%	11.1%
Plumbing/Electrical Supplies	50.3	4.7%	2.9%	6.4%
Service Stations	243.1	-34.9%	-27.8%	-21.9%
Specialty Stores	59.1	-1.6%	3.2%	9.8%
Total All Accounts	\$2,037.1	-2.5%	5.7%	3.6%
County & State Pool Allocation	\$271.1	0.6%	9.1%	1.1%
Gross Receipts	\$2,308.2	-2.1%	6.1%	3.3%