

Q4 2014



Santa Cruz County Sales Tax *Update*

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

Santa Cruz County In Brief

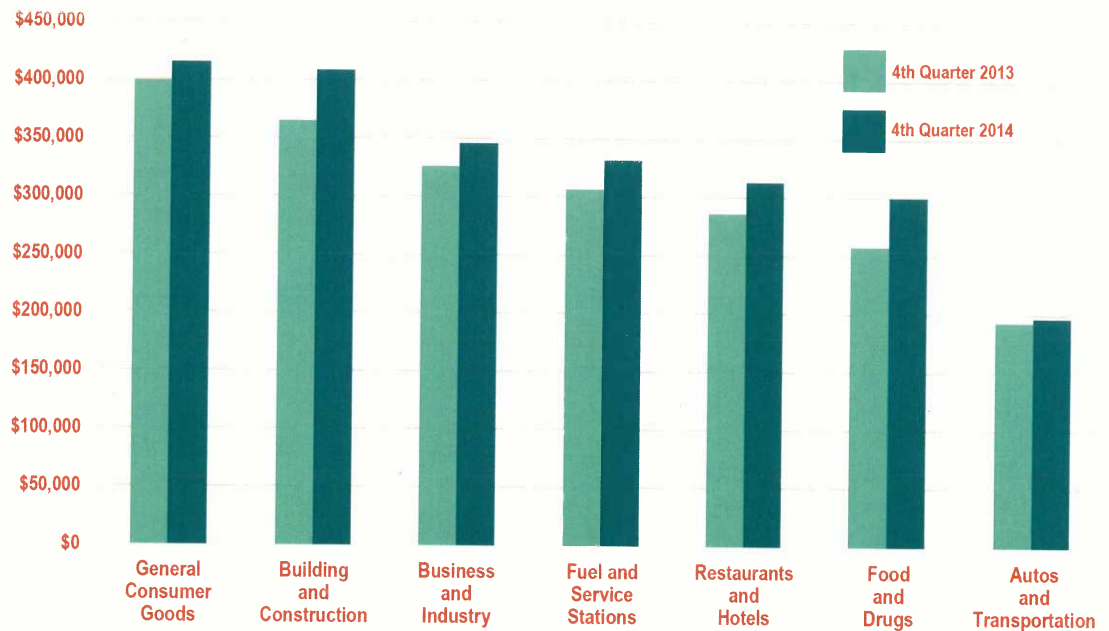
The allocation of sales and use taxes for the unincorporated area's October through December sales was 8.0% higher than the same quarter one year ago. Actual sales activity increased 2.5% when accounting aberrations were factored out.

Adjustments that cut year-ago receipts inflated gains from lumber-building materials. Accounting events that affected one or both periods overstated results from business services, casual dining, marijuana dispensaries, the business and industry group and some categories of general consumer goods while temporarily offsetting the impact of lower fuel prices on postings from service stations.

Payment deviations depressed comparisons for garden-agricultural supplies and quick service eateries.

Adjusted for anomalies, taxable sales for all of Santa Cruz County increased 3.0% over the comparable time period, while the Central Coast region as a whole was up 3.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

American Builders Contractors Supply	Palace Art & Office Supply
Best Buy	Performance Food Group
Big Creek Lumber	Pet Pals
Boulder Creek Beacon Station	Probuild Company
Chaminade Hotel	Quik Stop Market
Crop Production Services	Rite Aid
Felton Valero	Safeway
Ferguson Enterprises	Safeway Gasoline
Home Depot	Scarborough Home Center
Marshalls	Seascape Resort
Ocean Honda	Tesoro West Coast
Ocean Street Chevron	Toys R Us
	Valero

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$6,579,967	\$6,977,656
County Pool	835,682	866,537
State Pool	3,872	5,914
Gross Receipts	\$7,419,521	\$7,850,106
Less Triple Flip*	\$(1,854,880)	\$(1,962,526)

*Reimbursed from county compensation fund

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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.

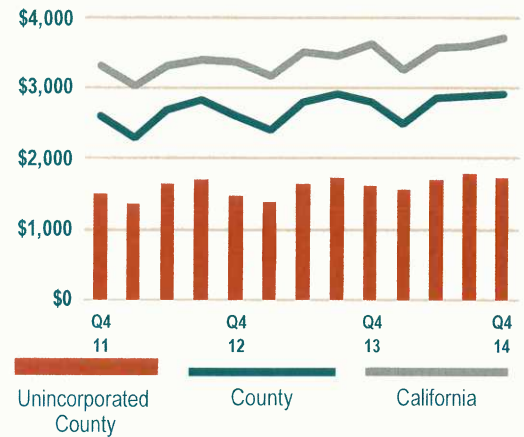
Triple Flip Unwind

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.

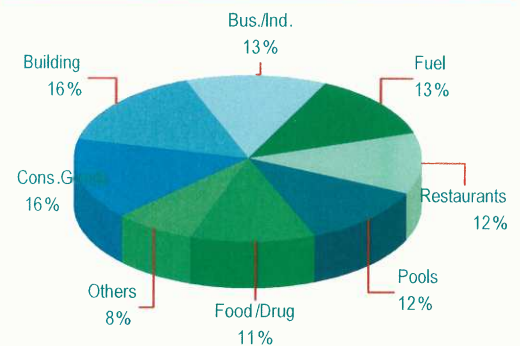
The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation 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
Santa Cruz County This Quarter



SANTA CRUZ COUNTY TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Unincorporated County	County	HdL State	
	Q4 '14*	Change	Change	Change
Auto Repair Shops	54.9	1.3%	-0.2%	5.9%
Business Services	47.5	95.9%	39.4%	-4.5%
Casual Dining	169.3	16.4%	15.0%	6.3%
Contractors	49.3	0.9%	-1.7%	8.9%
Electronics/Appliance Stores	—	CONFIDENTIAL	-5.2%	1.3%
Garden/Agricultural Supplies	98.6	-4.7%	-4.0%	5.8%
Grocery Stores Liquor	—	CONFIDENTIAL	17.3%	3.5%
Home Furnishings	70.5	7.5%	4.6%	6.9%
Liquor Stores	53.0	17.3%	4.7%	8.2%
Lumber/Building Materials	275.9	24.0%	27.4%	-0.7%
Marijuana Dispensary	52.2	69.1%	70.6%	11.2%
New Motor Vehicle Dealers	—	CONFIDENTIAL	4.0%	7.6%
Quick-Service Restaurants	48.5	-15.0%	7.2%	7.4%
Service Stations	331.0	9.0%	8.8%	-10.6%
Specialty Stores	82.8	-1.4%	-2.9%	5.5%
Total All Accounts	\$2,312.0	8.4%	4.9%	3.8%
County & State Pool Allocation	\$312.8	5.0%	1.6%	4.7%
Gross Receipts	\$2,624.8	8.0%	4.5%	3.9%