

Q2 2014



City of Burlingame Sales Tax *Update*

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

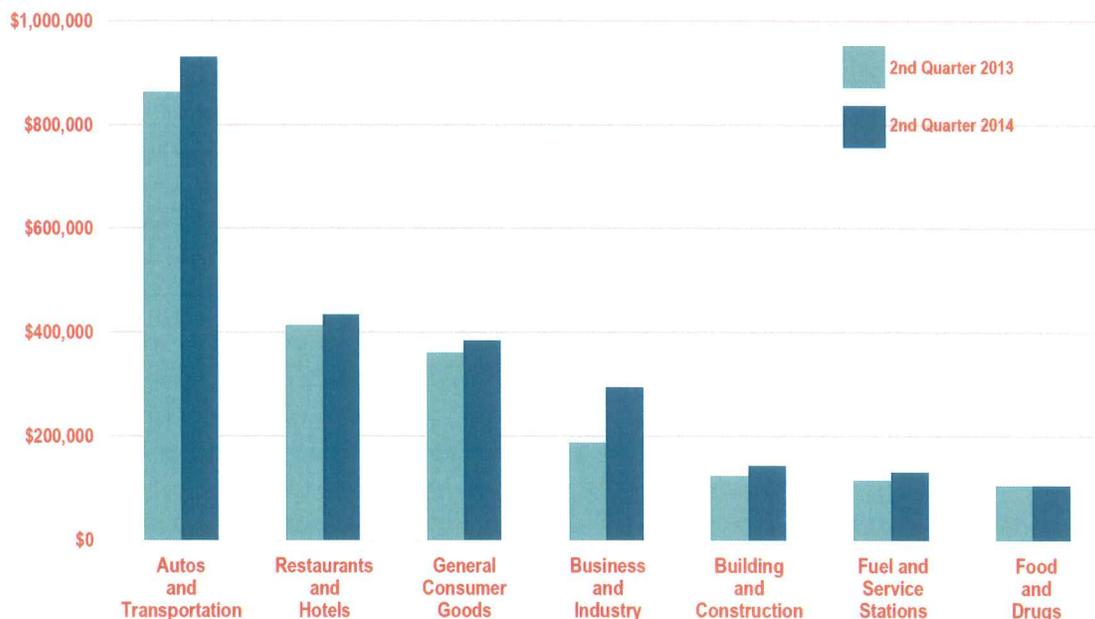
Burlingame In Brief

Burlingame's allocation of sales and use tax from its April through June sales was 12.8% higher than the same quarter one year ago. Actual sales activity was up 8.4% after factoring for reporting aberrations that inflated comparisons within the business-industrial and fuel-service station groups.

An additional auto dealership, new restaurants and a generally solid quarter for purchases of business supplies and construction materials all contributed to the actual gain. A rise in the countywide use tax allocation pool resulting from increased online shopping for merchandise shipped from out of state was an additional factor.

Adjusted for aberrations, sales and use tax receipts for all of San Mateo County increased 6.9% over the comparable time period while the Bay Area as a whole was up 6.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply	Mike Harvey Acura
All Natural Stone	Mike Harvey Honda
Apple	Payless Car Rental
Au Energy Shell Station	Putnam Buick GMC
Benihana	Putnam Chevrolet Cadillac
Chevron	Putnam Mazda
Color Copy Printing	Putnam Volvo
Fiat of Burlingame	Putnam Toyota
Garratt Callahan	Rector Porsche Audi
Hyatt Regency	Safeway
Hyundai Burlingame	Technical Instrument
Kern Jewelers	Tesla Motors
Marriott SF Airport	Walgreens

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,163,520	\$2,418,715
County Pool	294,887	353,008
State Pool	1,530	1,883
Gross Receipts	\$2,459,937	\$2,773,606
Cty/Cnty Share	(122,997)	(138,680)
Net Receipts	\$2,336,940	\$2,634,925
Less Triple Flip*	\$(584,235)	\$(658,731)

*Reimbursed from county compensation fund

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.

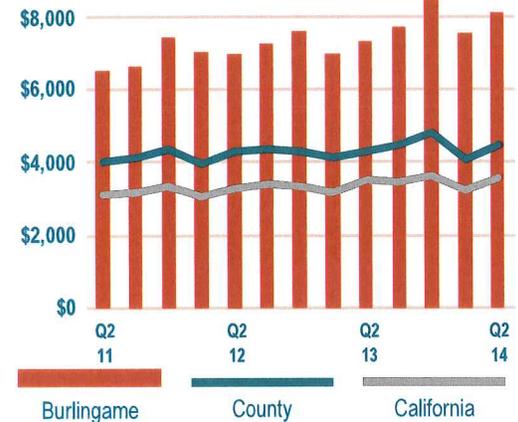
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

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 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

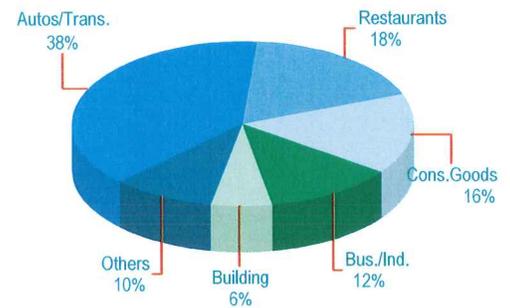
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Burlingame This Quarter



BURLINGAME TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Burlingame Q2 '14*	Burlingame Change	County Change	HdL State Change
Auto Lease	53.1	-11.0%	10.8%	15.4%
Casual Dining	150.1	17.5%	13.0%	3.6%
Contractors	55.7	58.9%	19.5%	14.4%
Electrical Equipment	60.1	25.0%	-13.2%	5.3%
Electronics/Appliance Stores	67.0	-3.4%	-7.1%	-1.0%
Family Apparel	63.5	4.9%	42.6%	9.6%
Fine Dining	111.1	-7.2%	8.1%	15.6%
Home Furnishings	57.6	15.5%	10.3%	6.8%
Hotels-Liquor	124.3	3.2%	8.0%	7.3%
Light Industrial/Printers	62.7	13.9%	15.8%	3.6%
Lumber/Building Materials	45.7	35.1%	8.7%	9.0%
New Motor Vehicle Dealers	772.3	8.8%	15.1%	7.4%
Service Stations	129.6	13.9%	5.5%	6.7%
Specialty Stores	65.5	12.7%	34.3%	7.8%
Transportation/Rentals	45.9	9.9%	-5.6%	-20.8%
Total All Accounts	\$2,418.7	11.8%	5.8%	2.8%
County & State Pool Allocation	\$354.9	19.7%	13.3%	12.7%
Gross Receipts	\$2,773.6	12.8%	6.7%	3.9%
City/County Share	(138.7)	-12.8%		
Net Receipts	\$2,634.9	12.8%		