

Q1 2014



City of Burlingame Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Burlingame In Brief

Receipts for Burlingame's January through March sales were 11.3% higher than the same quarter one year ago. Actual sales activity was up 10.1% when reporting aberrations were factored out.

New dealerships and an upturn in car rentals accounted for majority of the gain in the auto and transportation group. Recently opened eateries combined with high performance in hotels boosted results in restaurants and hotels.

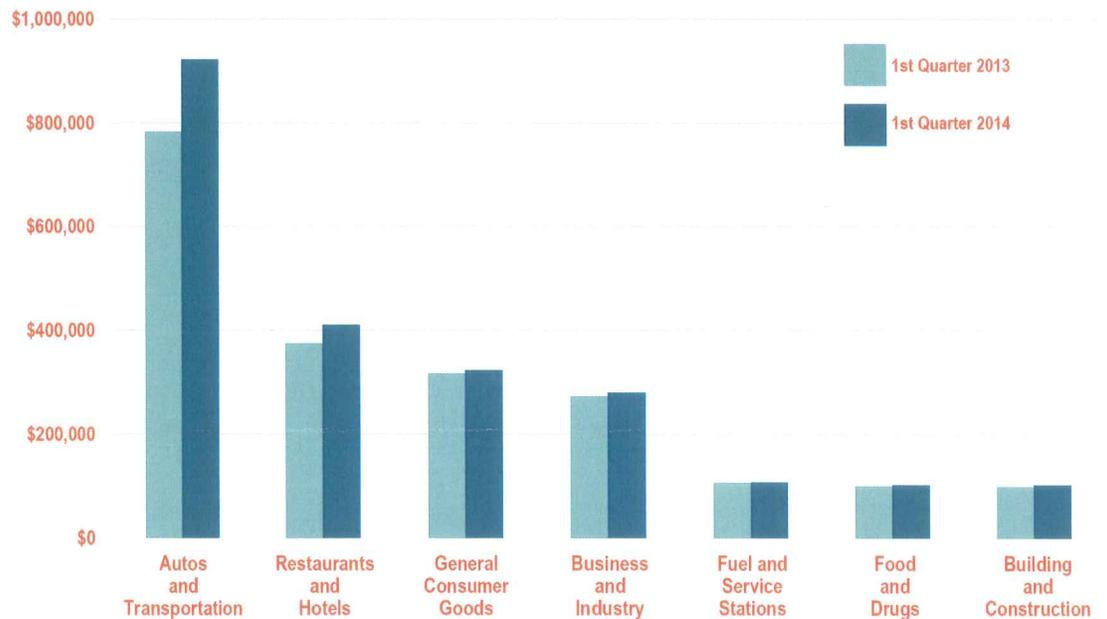
Temporary anomalies bumped up post-holiday sales in general retail. Once onetime events were removed actual sales dipped 3.2%. A store closeout in home furnishings and a decrease in electronics/appliance stores were the major factors in the decline.

The rise in business and industry was due to an accounting adjustment in the medical/biotech sector. Several closeouts and unusually high returns a year ago in office equipment hampered actual results.

The double digit increase in the countywide use tax allocation pool contributed to higher gross receipts.

Adjusted for aberrations, taxable sales for all of San Mateo County increased 4.3% over the comparable time period, while the Bay Area as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

All Natural Stone	Mike Harvey Honda
Apple	Mills Peninsula Hospital
Au Energy Shell Station	Payless Car Rental
Audi Leasing	Putnam Buick
Bentley Leasing	Pontiac GMC
Benihana	Putnam Chevrolet
Chevron	Cadillac
Color Copy Printing	Putnam Mazda
Garratt Callahan	Putnam Volvo
Hyatt Regency	Putnam Toyota
Hyundai Burlingame	Rector Porsche Audi
Kern Jewelers	Safeway
Marriott SF Airport	Tesla Motors
Mike Harvey Acura	Walgreens
	WW Grainger

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$8,401,144	\$9,191,724
County Pool	1,123,752	1,339,953
State Pool	4,425	6,343
Gross Receipts	\$9,529,321	\$10,538,020
Cty/Cnty Share	(476,466)	(526,901)
Net Receipts	\$9,052,855	\$10,011,119
Less Triple Flip*	\$(2,263,214)	\$(2,502,780)

*Reimbursed from county compensation fund

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Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

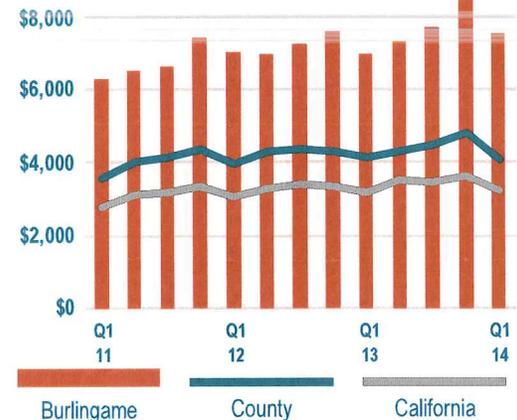
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



BURLINGAME TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Burlingame Q1 '14*	Burlingame Change	County Change	HdL State Change
Auto Lease	59.8	3.9%	17.1%	14.5%
Casual Dining	138.4	17.0%	10.4%	6.6%
Contractors	42.3	56.9%	11.6%	14.7%
Electrical Equipment	50.5	-7.8%	-35.7%	4.3%
Electronics/Appliance Stores	53.3	-25.4%	-1.8%	2.4%
Family Apparel	55.0	-22.2%	-8.0%	-3.3%
Fine Dining	103.8	-3.5%	10.1%	13.4%
Home Furnishings	49.2	-27.7%	2.4%	6.8%
Hotels-Liquor	126.5	17.2%	10.6%	8.4%
Light Industrial/Printers	43.5	-0.8%	8.9%	-1.1%
Medical/Biotech	60.8	130.1%	5.4%	40.1%
New Motor Vehicle Dealers	760.9	17.6%	16.2%	9.4%
Service Stations	106.7	0.6%	-2.0%	-1.0%
Specialty Stores	53.5	11.5%	-9.2%	2.7%
Transportation/Rentals	49.8	40.6%	12.3%	10.4%
Total All Accounts	\$2,247.9	9.5%	-1.3%	3.2%
County & State Pool Allocation	\$344.9	25.1%	12.8%	7.7%
Gross Receipts	\$2,592.9	11.3%	0.4%	3.7%
City/County Share	(129.6)	-11.3%		
Net Receipts	\$2,463.2	11.3%		