

Q4 2015



City of Burlingame Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Burlingame In Brief

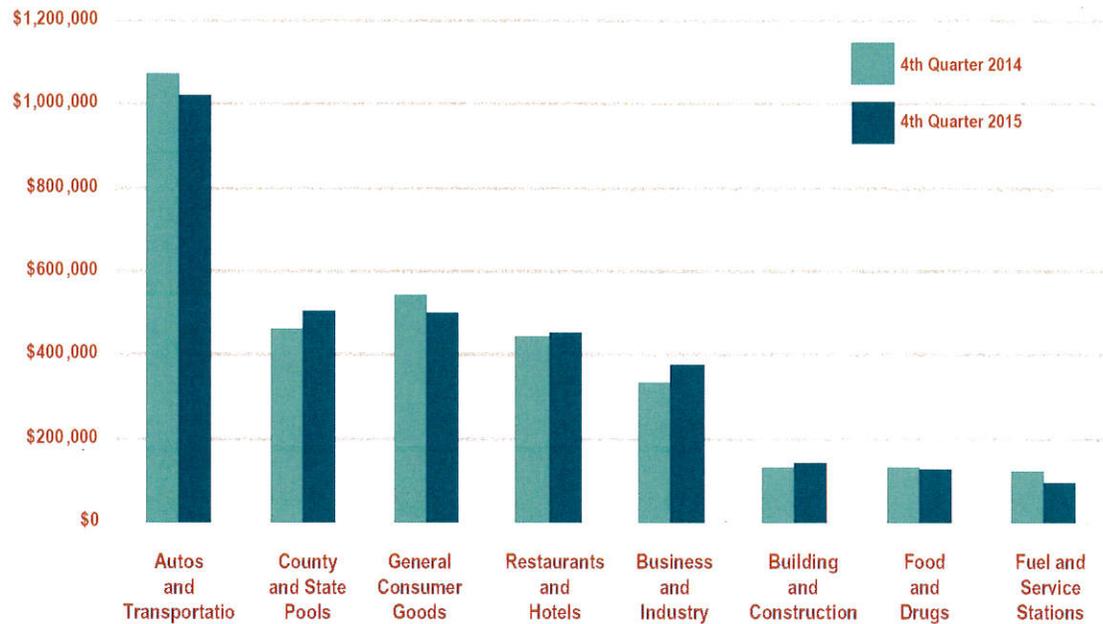
Burlingame's receipts from October through December were 0.3% below 2014's fourth quarter totals.

Continued price-driven fuel and service station declines were a factor, but general consumer goods and autos and transportation results were also down. The autos group reflected a business closeout and a drop in auto lease proceeds which were inflated by accounting adjustments in the year-ago quarter. Multiple general consumer segments showed lower receipts.

Conversely, building and construction, business and industry, and restaurant and hotel categories were up. Retroactive accounting adjustments exaggerated business and industry gains while reporting aberrations caused the restaurants result to be understated. The City's proportionate allocation from the countywide use tax pool partially offset declines in local point of sale revenues.

Net of aberrations, taxable sales for all of San Mateo County grew 1.6% over the comparable time period; the Bay Area was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply	Mike Harvey Acura
All Industrial Supply	Mike Harvey Honda
All Natural Stone	Mills Peninsula Hospital
Apple	Mixed Bag Designs
Benihana	Putnam Chevrolet Cadillac
Cal Steam	Putnam Mazda
Color Copy Printing	Putnam Volvo
Garratt Callahan	Putnam Toyota
Hyatt Regency	Rector Porsche Audi
Kern Jewelers	Safeway
Lululemon Athletica	Sephora
Marin Gas And Auto Services	Tesla Motors
Marriott Hotel Services	Walgreens

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$7,662,261	\$8,214,415
County Pool	1,200,116	1,333,318
State Pool	6,775	9,245
Gross Receipts	\$8,869,152	\$9,556,978
Cty/Cnty Share	(443,458)	(477,849)
Net Receipts	\$8,425,695	\$9,079,129
Less Triple Flip*	\$(2,106,424)	\$(2,269,782)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

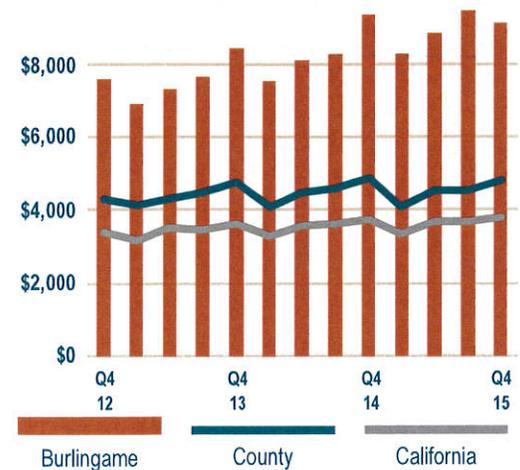
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

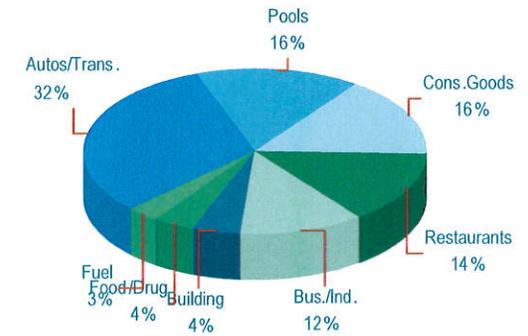
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Burlingame This Quarter



BURLINGAME TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Burlingame		County	HdL State
	Q4 '15*	Change	Change	Change
Auto Lease	67.7	-15.4%	12.4%	42.8%
Business Services	46.8	21.4%	73.4%	15.7%
Casual Dining	200.2	4.7%	6.7%	5.8%
Electronics/Appliance Stores	— CONFIDENTIAL —			
Family Apparel	105.2	17.8%	5.2%	3.9%
Fine Dining	97.8	2.9%	6.3%	8.1%
Grocery Stores Liquor	52.4	-1.8%	-0.7%	0.6%
Home Furnishings	67.3	1.2%	22.0%	2.0%
Hotels-Liquor	114.9	-2.5%	7.8%	3.5%
Light Industrial/Printers	79.7	31.8%	-12.3%	5.4%
Lumber/Building Materials	52.9	15.9%	12.1%	10.0%
Medical/Biotech	78.6	50.0%	-14.3%	-4.4%
New Motor Vehicle Dealers	854.7	-4.8%	1.8%	7.9%
Service Stations	94.4	-21.6%	-10.8%	-10.5%
Specialty Stores	88.7	6.6%	-7.1%	4.3%
Total All Accounts	2,729.2	-2.0%	0.4%	2.4%
County & State Pool Allocation	507.5	9.4%	12.0%	10.8%
Gross Receipts	3,236.7	-0.3%	2.1%	3.5%
City/County Share	(161.8)	0.3%		
Net Receipts	3,074.8	-0.3%		