

# Q3 2016



# Garden Grove Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

## Garden Grove In Brief

Garden Grove's receipts from July through September were 4.4% above the third sales period in 2015. Excluding reporting aberrations, actual sales were up 1.6%.

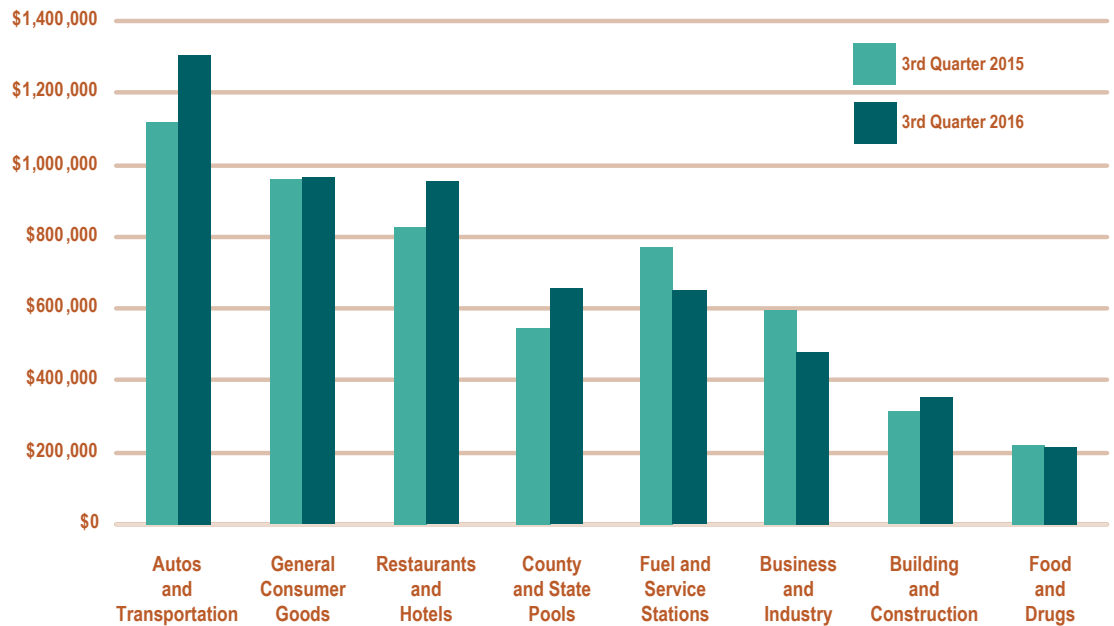
An audit correction provided a significant infusion of additional revenue for a used automotive dealer's prior-year sales activity.

A new business opening and the reclassification of an eatery from the casual dining category lifted hotel/liquor returns. The City also received a 20% larger allocation from the countywide use tax pool due to the ongoing shift to online shopping and a large prior-year company refund.

Diluting these gains was lower revenue from local service stations that has dropped in concert with the 20% average statewide decline in the price of gasoline throughout the state. Business-industrial sales also fell, though the decline was exaggerated by payment anomalies.

Net of aberrations, taxable sales for all of Orange County grew 1.9% over the comparable time period; the Southern California region was up 1.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	My Goods Market
California Fuels & Lubricants	One Source Distributors
Chevron (2)	Quantum Auto Sales
Costco	Ross
Ferguson Bath & Kitchen Gallery	Shell
Garden Grove Hyundai	Simpson Chevrolet
Garden Grove Kia	Target
Grand HK Motors	Toyota Place
Great Wolf Lodge	Volkswagen of Garden Grove
Home Depot	Vons
Hyatt Regency Orange County	Walmart Neighborhood Market
Imperio Nissan of Garden Grove	
McDonalds	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
<b>Point-of-Sale</b>	\$9,560,136	\$9,523,200
<b>County Pool</b>	1,131,830	1,721,638
<b>State Pool</b>	4,872	3,418
<b>Gross Receipts</b>	<b>\$10,696,838</b>	<b>\$11,248,255</b>
<b>Less Triple Flip*</b>	\$(2,674,210)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

**The Year Ahead**

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

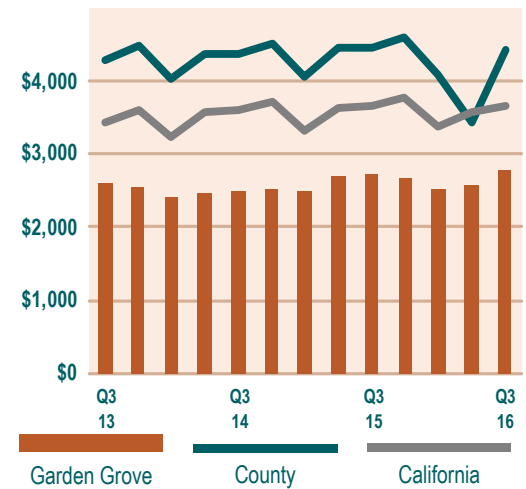
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

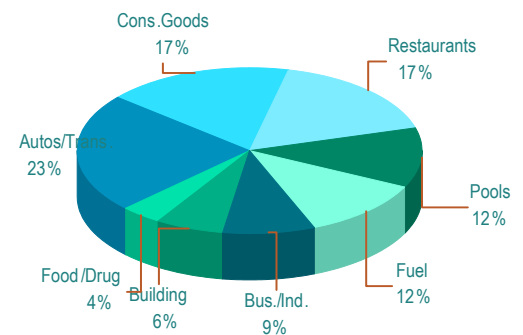
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Garden Grove This Quarter



**GARDEN GROVE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Garden Grove Q3 '16*	Change	County Change	HdL State Change
Automotive Supply Stores	84.4	9.8%	0.7%	3.9%
Casual Dining	454.1	-0.5%	4.5%	4.5%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.2%	-0.4%
Electrical Equipment	— CONFIDENTIAL —	—	-5.8%	11.7%
Family Apparel	110.5	9.1%	7.6%	5.8%
Grocery Stores	100.8	-0.6%	-0.6%	-2.2%
Hotels-Liquor	134.5	343.0%	9.0%	5.5%
Light Industrial/Printers	111.9	-12.5%	-7.2%	-1.3%
Lumber/Building Materials	— CONFIDENTIAL —	—	10.2%	6.8%
New Motor Vehicle Dealers	776.2	0.9%	4.8%	4.8%
Petroleum Prod/Equipment	134.4	10.4%	-21.0%	-23.1%
Quick-Service Restaurants	300.7	3.3%	7.1%	8.9%
Service Stations	516.4	-20.6%	-17.6%	-13.8%
Specialty Stores	111.7	13.1%	4.1%	2.0%
Used Automotive Dealers	296.8	95.7%	14.6%	8.1%
<b>Total All Accounts</b>	<b>4,921.6</b>	<b>2.6%</b>	<b>0.4%</b>	<b>0.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>658.4</b>	<b>20.5%</b>	<b>17.9%</b>	<b>11.5%</b>
<b>Gross Receipts</b>	<b>5,580.0</b>	<b>4.4%</b>	<b>2.2%</b>	<b>2.2%</b>