

# Q3 2009



# City of Carson Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2009)

## Carson In Brief

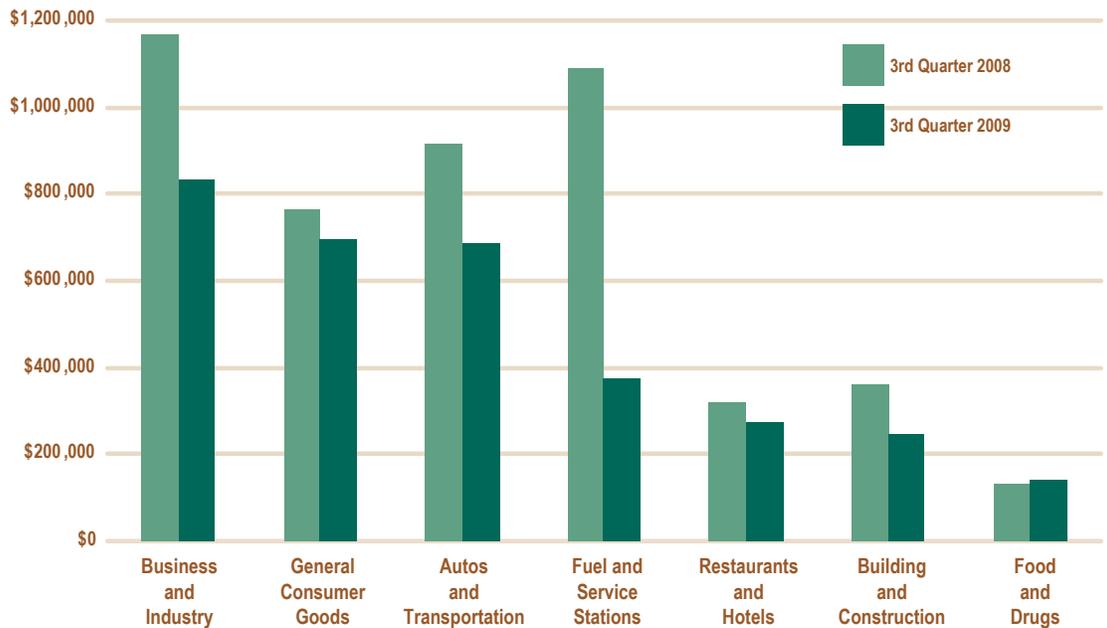
The allocation from Carson's July through September sales tax was 31.9% less than the same quarter one year ago.

Lower fuel prices and decreased sales from new auto dealerships, discount department stores, restaurants with no alcohol, home furnishings, drugs/chemicals, heavy industrial, lumber/building materials, department stores and repair shop/hand tool rentals were partially responsible for the decrease. A one-time use tax payment that temporarily inflated last year's allocation was responsible for the decrease in petroleum products/equipment. Accounting adjustments that temporarily inflated last year's return exaggerated the drop in office/supplies furniture.

The losses were offset by increased sales from grocery stores with liquor. The comparisons of light industrial/printers and contractors were temporarily inflated by onetime accounting adjustments.

Adjusted for reporting aberrations, taxable sales for Los Angeles County decreased 16.8% over the comparable time period while Southern California as a whole was down 15.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Home Depot
Arco AM PM Mini Mart	Home Depot Sports Center
Arco Material Supply	Ikea
Buswest	JC Penney
Carson Honda	K Mart
Carson Toyota	Lakeshore Learning Materials
Chemoil	Ondeo Nalco
Cormier Chevrolet	Rhodia
Crest Steel	Sears
Cruise America	Target
Don Kott Chrysler Jeep Kia	Western Pacific Container
Enterprise Rent A Car	Wilson Industries
Hertz Equipment Rental	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$9,474,700	\$6,982,647
County Pool	1,048,344	765,650
State Pool	2,830	6,924
<b>Gross Receipts</b>	<b>\$10,525,874</b>	<b>\$7,755,222</b>
<b>Less Triple Flip*</b>	<b>\$(2,631,469)</b>	<b>\$(1,938,805)</b>

\*Reimbursed from county compensation fund

**Statewide Sales Declines**

With aberrations factored out, statewide sales tax receipts for July through September declined 16.4% from the same quarter of 2008. It is anticipated that this will be the last quarter of comparative double digit decreases as the recession begins to bottom out.

This quarter's declines were led by a 32.6% fall from last year's spike in fuel prices and another 25.2% drop in tax receipts from building and construction materials.

The 9.9% decline in new car receipts was the smallest decrease in this category in seven consecutive quarters. The "cash for clunkers" program was partially responsible for the lower contraction although the tax benefits were muted as exempt federal rebates reduced the taxable values of cars purchased under the program by an average of \$4,200.

Edmunds.com estimates that 72% of the purchases would have occurred without the rebate which, if true, means that the program accomplished its goal of accelerating the clearing of inventories to get auto workers back to work but partially borrowed from future sales.

A 10.1% drop in tax revenues from general consumer goods was attributed to falling prices and continuing weak sales in home furnishings, appliances and electronics, as well as disappointing back to school purchases which normally constitute the second largest retail season of the year.

**But Slow Recovery**

Prognostications are for overall smaller sales tax declines in the next two quarters with revenues flattening out by fiscal year 2010/2011. However, tight credit, high unemployment, price pressures and the end of federal stimulus funding are expected to stall significant recovery until the year after.

**Triple Flip Woes**

The state's attempts to borrow its way out of its budget problems continued to create havoc with local government fiscal planning with this year's 27.6% average cutback in triple flip backfill payments.

In order to get around the state's flagging bond rating, the borrowing approved by voters in 2004 to close that year's deficit pledged a portion of local sales tax revenues to guarantee the bonds. The complex scheme to backfill the confiscated local sales tax with property tax revenues is referred to as the "triple flip."

Although the deduction occurs in real time, the estimated backfill is set by the state Department of Finance before the fiscal year begins. Last year's overly optimistic revenue projections resulted in overpayments to most local agencies thereby resulting in substantially lower estimates and negative adjustments in this year's backfills to individual agencies.

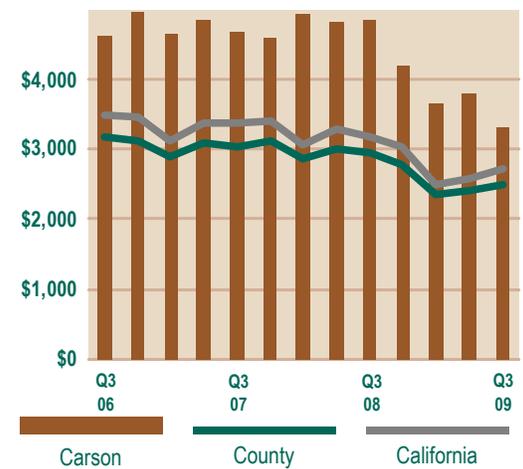
The 2004 bonds are currently estimated to be paid and the triple flip ended by April of 2016.

**Stimulus Update**

Approximately two thirds of the estimated \$85 billion in federal stimulus flowing to California is expected to have been spent by the end of this fiscal year with the bulk filling state budget gaps in education, health and human services, as well as providing tax relief to individuals and businesses.

The \$20.5 billion portion available for public capital improvement projects is half committed with actual expenditures expected to begin later in 2010.

**SALES PER CAPITA**



**CARSON TOP 15 BUSINESS TYPES**

Business Type	Carson		County	HdL State
	Q3 '09*	Change	Change	Change
New Motor Vehicle Dealers	\$474.7	-34.4%	-9.7%	-9.8%
Discount Dept Stores	197.5	-18.5%	-2.8%	-4.4%
Service Stations	194.1	-63.6%	-31.1%	-28.8%
Restaurants No Alcohol	190.7	-12.5%	-10.5%	-10.1%
Home Furnishings	190.1	-3.3%	-20.7%	-17.9%
Petroleum Prod/Equipment	153.7	-68.6%	-35.9%	-39.3%
Drugs/Chemicals	147.7	-18.9%	-13.6%	-13.7%
Heavy Industrial	139.7	-42.2%	-36.0%	-32.1%
Light Industrial/Printers	132.9	43.1%	-21.5%	-19.5%
Lumber/Building Materials	129.9	-43.4%	-15.1%	-14.3%
Office Supplies/Furniture	93.8	-45.0%	-26.1%	-19.7%
Grocery Stores Liquor	90.3	14.8%	-1.8%	-1.4%
Department Stores	89.1	-10.1%	-12.0%	-14.6%
Repair Shop/Hand Tool Rentals	81.9	-9.9%	-27.8%	-24.4%
Contractors	72.3	19.5%	-32.3%	-29.7%
<b>Total All Accounts</b>	<b>\$3,259.6</b>	<b>-31.3%</b>	<b>-15.1%</b>	<b>-13.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>351.4</b>	<b>-37.1%</b>		
<b>Gross Receipts</b>	<b>\$3,611.0</b>	<b>-31.9%</b>		<i>*In thousands</i>