

Q3 2011



City of Carson Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

Carson In Brief

Receipts for Carson's July through September sales were 16.5% higher than the same quarter one year ago. Actual sales activity was up 12.9% when reporting aberrations were factored out.

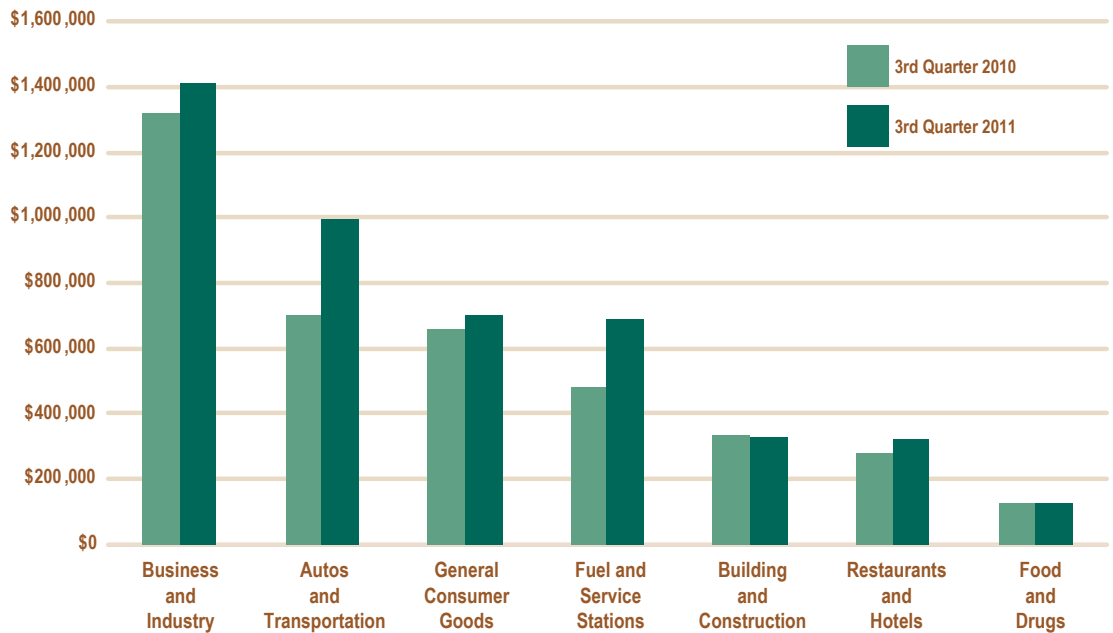
The autos and transportation group posted a strong quarter from new auto sales and leases; however, the overall gain was inflated by one-time payments. Business and industry benefited from the addition of new drugs/chemical companies and strong sales from heavy and light industrial supplies and trailers/auto parts.

Increases from home furnishings, specialty stores, and other categories of general consumer goods contributed to the positive results from the group. Higher prices at the pump and the recovery of previously misallocated payments inflated the results from service stations. A boost in receipts from restaurants with and without liquor was a factor in the increase from the restaurants and hotels group.

The gains were partially offset by sales declines from petroleum products, contractor supplies, and electrical equipment.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 8.1% over the comparable time period, while the Southern California region as a whole was up 8.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Arco AM PM	Home Depot
Arco Material Supply	Ikea
Buswest	JC Penney
Car Pros Kia	K Mart
Carson Honda	Lakeshore Learning Materials
Carson Nissan	Los Angeles Truck Centers
Carson Toyota	Ondeo Nalco
Crest Steel	Perfect Fit
Cruise America	Prime Wheel
En Pointe Technologies Sales	Rapid Gas
HD Supply Repair & Remodel	Rhodia
Herbalife	Sears
	Target

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$8,118,694	\$8,927,387
County Pool	925,856	983,210
State Pool	5,728	1,223
Gross Receipts	\$9,050,278	\$9,911,820
Less Triple Flip*	\$(2,262,570)	\$(2,477,955)

*Reimbursed from county compensation fund

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

Sales Tax and the Internet

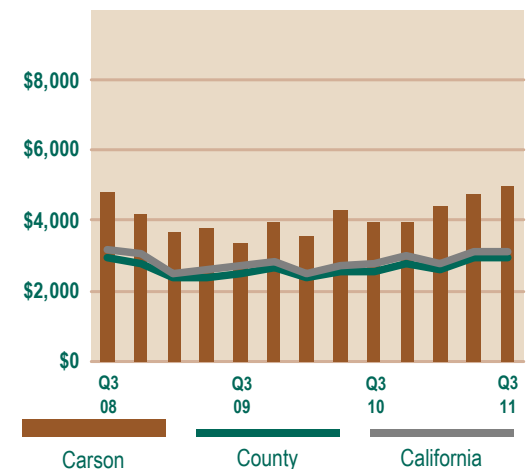
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted in legislation (AB 155) that requires

in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

SALES PER CAPITA



CARSON TOP 15 BUSINESS TYPES

Business Type	Carson		County	HdL State
	Q3 '11*	Change	Change	Change
Contractors	75.7	-3.6%	8.8%	8.6%
Department Stores	86.0	-0.6%	6.2%	5.1%
Discount Dept Stores	205.1	5.5%	5.2%	3.1%
Drugs/Chemicals	494.6	12.6%	1.2%	10.1%
Grocery Stores Liquor	79.3	-0.9%	16.0%	10.8%
Heavy Industrial	169.8	40.7%	7.2%	20.5%
Home Furnishings	211.0	5.5%	8.2%	7.5%
Light Industrial/Printers	66.8	109.8%	20.7%	3.0%
Lumber/Building Materials	186.6	1.3%	4.1%	4.1%
New Motor Vehicle Dealers	785.9	58.5%	13.7%	12.2%
Office Supplies/Furniture	293.2	-28.4%	-40.5%	-27.2%
Petroleum Prod/Equipment	111.8	-28.2%	84.5%	46.2%
Restaurants No Alcohol	230.0	11.8%	7.1%	7.0%
Service Stations	541.2	87.0%	20.0%	20.5%
Trailers/Auto Parts	155.0	79.4%	-2.4%	7.1%
Total All Accounts	\$4,581.1	17.3%	10.3%	9.4%
County & State Pool Allocation	504.9	9.9%		
Gross Receipts	\$5,086.0	16.5%		<i>*In thousands</i>