

Q2

2018



City of Burlingame Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Burlingame In Brief

Problems with the State's new computerized reporting system reduced Burlingame's allocation from its April through June sales to 15.4% below the same quarter of 2017. The State partially made up for the shortfall by advancing a portion of next quarter's anticipated receipts thereby further skewing actual results. Excluding reporting aberrations, actual sales were up 2.5%.

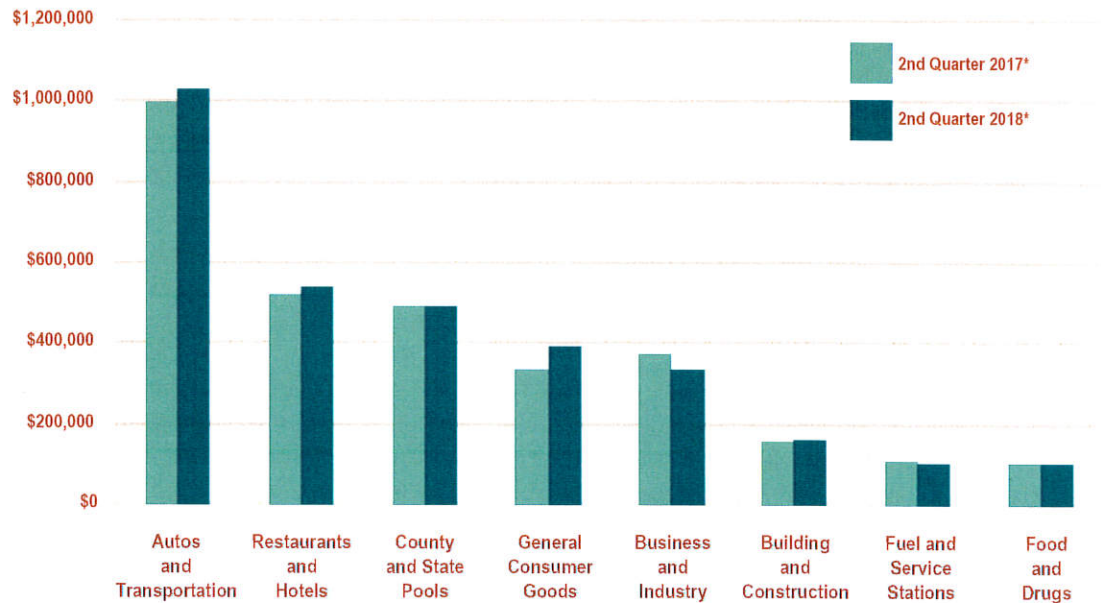
Over \$660,000 of delayed payments occurred; receipts declined when measured against year-ago taxpayer filings in all categories. The reduction in business and industry was exacerbated by accounting adjustments that inflated year-ago returns.

A notable increase in new motor vehicle and electronic/appliance sales helped to offset the effects the reduced receipts.

Voter approved Measure I generated \$410,137. This is the first quarter of reporting for Measure I.

Adjusting for the State's reporting issues and accounting aberrations, it is estimated that sales and use tax receipts for all of all of San Mateo County rose 2.2% over the comparable time period while the nine county Bay Area region as a whole, was up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply Co	Marin Gas & Auto Services
All Industrial Supply	Marriott Hotel
All Natural Stone	Ocean Honda
Apple	Putnam Chevrolet Cadillac
Audi Leasing	Putnam Family Motors
Bentley Leasing	Putnam Toyota
Benihana	Rector Porche Audi
Chevron	Safeway
Ferguson Enterprises	Sephora
Garratt-Callahan	Shell
Hertz Rent A Car	Tesla Motors
Hyatt Regency	Walgreens
Kern Jewelers	
Lahlouh Printing	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$10,615,004	\$10,290,303
County Pool	2,050,329	2,112,624
State Pool	6,290	6,243
Gross Receipts	\$12,671,622	\$12,409,170
Cty/Cnty Share	(633,581)	(620,459)
Net Receipts	\$12,038,041	\$11,788,712
Measure I	\$0	\$410,137

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

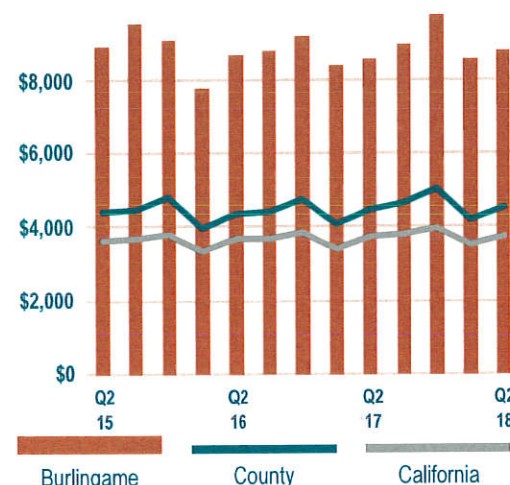
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

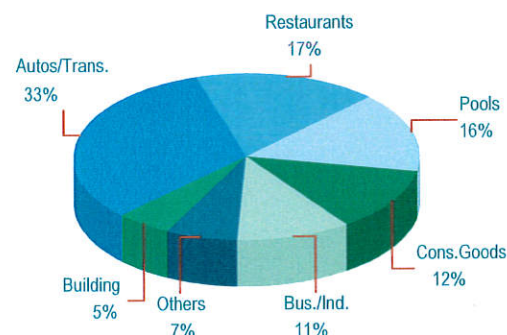
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

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
	Q2 '18*	Change	Change	Change
Auto Lease	85.4	3.6%	6.7%	6.5%
Building Materials	74.2	23.3%	2.9%	3.1%
Casual Dining	260.7	-2.7%	-0.7%	-1.6%
Electrical Equipment	53.9	5.2%	-16.3%	-4.7%
Electronics/Appliance Stores	— CONFIDENTIAL —		8.3%	4.2%
Family Apparel	61.3	-12.5%	0.3%	1.4%
Fine Dining	71.3	6.0%	11.4%	5.4%
Home Furnishings	44.7	-16.2%	-2.6%	-1.9%
Hotels-Liquor	145.9	14.9%	8.5%	2.7%
Light Industrial/Printers	81.9	-16.2%	-16.1%	-2.9%
Medical/Biotech	60.3	0.5%	5.2%	-2.9%
New Motor Vehicle Dealers	832.7	7.8%	-2.9%	2.6%
Service Stations	106.0	-1.2%	7.9%	8.1%
Specialty Stores	74.1	0.0%	-4.5%	-2.5%
Transportation/Rentals	53.5	-13.6%	-0.2%	3.7%
Total All Accounts	2,671.3	3.1%	1.4%	1.1%
County & State Pool Allocation	491.1	-0.3%	6.4%	4.7%
Gross Receipts	3,162.5	2.5%	2.2%	1.6%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.