

Q4 2014



City of Tustin Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Tustin In Brief

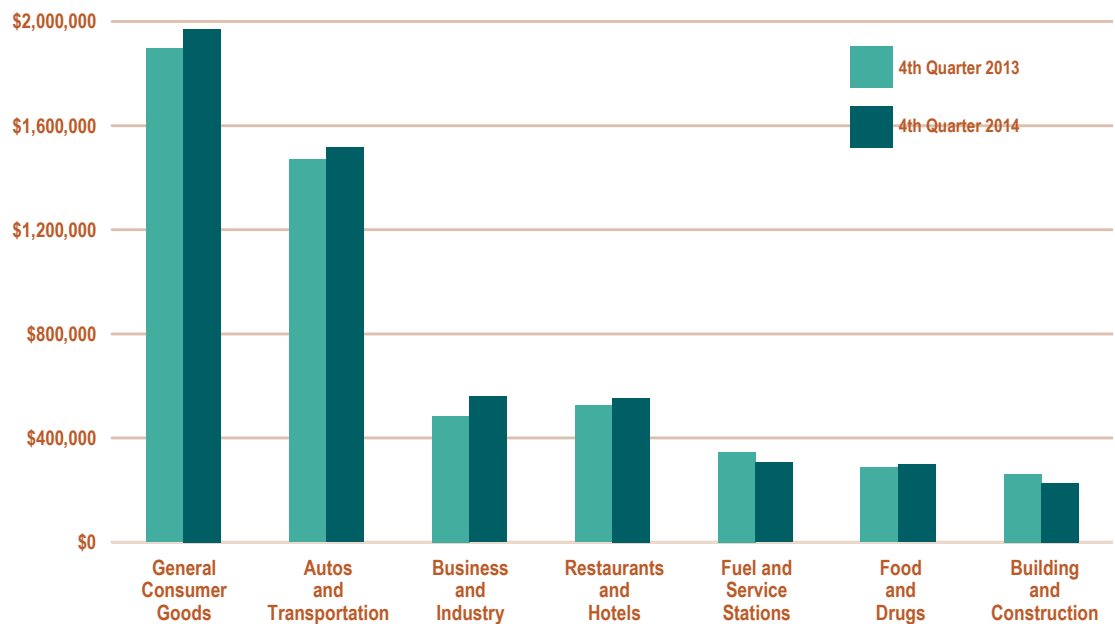
Gross receipts for Tustin's October through December sales were 3.7% higher than the same quarter one year ago.

Sales were up from restaurants, several categories of general consumer goods and some classifications of business to business transactions. However, business group gains were overstated by adjustments that inflated current quarter receipts from electrical equipment and cut last year's proceeds from medical-biotech. Net of anomalies postings from automotive leases were up 19.6% for the quarter offsetting a dip in revenues from new car dealers.

Accounting events that hiked year-ago receipts depressed results from the building and construction group and exaggerated losses from consumer electronics-appliances. Lower prices at the pump cut service station returns.

Adjusted for aberrations, taxable sales for all of Orange County rose 3.4% over the same time; Southern California regional totals were 4.3% higher.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AutoNation Ford	TJ Maxx
AutoNation Infiniti	Total Wine & More
Best Buy	Toyota Lease Trust
Chevron	Toys R Us
Costco	Tustin Acura
Home Depot	Tustin Buick GMC
Jewelry Exchange	Tustin Chrysler Jeep Dodge
Lowes	Tustin Hyundai/Mazda
McLean Cadillac	Tustin Lexus
Micro Center Computer	Tustin Nissan
Ralphs	Tustin Ranch Shell
REI	Tustin Toyota
Target	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$14,844,003	\$15,310,436
County Pool	1,679,385	1,833,022
State Pool	8,740	13,057
Gross Receipts	\$16,532,128	\$17,156,515
Less Triple Flip*	\$(4,133,032)	\$(4,289,129)

*Reimbursed from county compensation fund

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

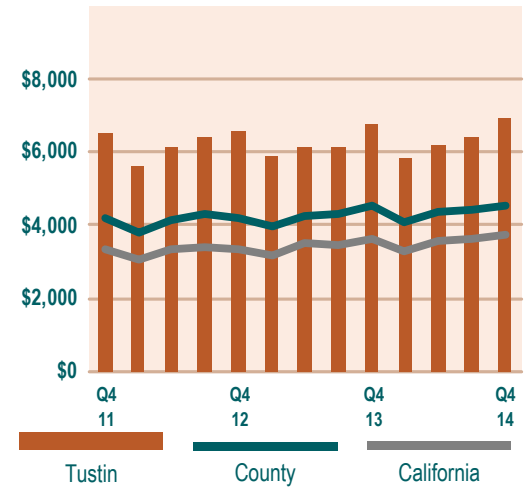
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

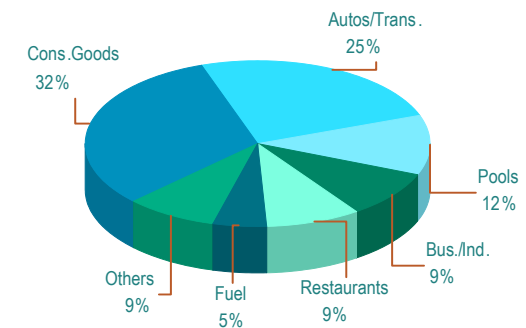
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Tustin This Quarter



TUSTIN TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Tustin Q4 '14*	Change	County Change	HdL State Change
Auto Lease	171.4	39.2%	12.9%	-0.4%
Casual Dining	244.3	9.4%	7.3%	5.7%
Discount Dept Stores	— CONFIDENTIAL —	—	0.9%	0.8%
Electrical Equipment	94.6	91.9%	-5.3%	24.3%
Electronics/Appliance Stores	153.6	-9.3%	-0.5%	3.2%
Family Apparel	207.1	7.7%	5.6%	5.0%
Grocery Stores Liquor	117.1	4.3%	4.9%	3.6%
Jewelry Stores	109.7	9.5%	6.2%	5.0%
Lumber/Building Materials	— CONFIDENTIAL —	—	5.4%	-0.8%
New Motor Vehicle Dealers	1,244.7	-0.6%	8.4%	7.6%
Office Supplies/Furniture	188.1	3.6%	-46.5%	5.2%
Quick-Service Restaurants	184.9	4.5%	1.8%	7.5%
Service Stations	300.0	-11.4%	-16.2%	-10.5%
Specialty Stores	181.7	1.6%	6.2%	6.0%
Sporting Goods/Bike Stores	132.0	11.7%	1.1%	3.7%
Total All Accounts	\$5,432.5	3.0%	1.7%	3.8%
County & State Pool Allocation	\$710.9	9.1%	7.7%	4.7%
Gross Receipts	\$6,143.3	3.7%	2.3%	3.9%