

Forecasting Sales, Use And Transactions Tax Revenues

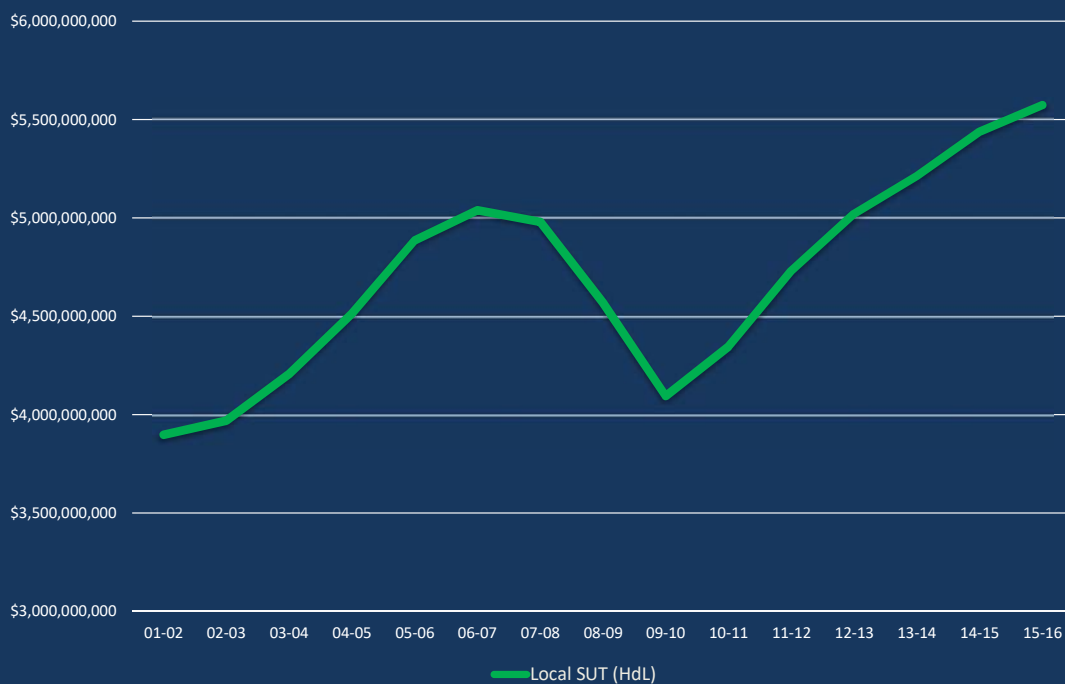


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California Society of Municipal Finance Officers



STATEWIDE LOCAL SALES TAX AND USE TAX





Common Projection Problems

- 🌐 Monthly BOE advances can be Misleading.
- 🌐 Monthly economic indexes tend to be over interpreted.
- 🌐 Economists do not live in your neighborhood.



Your Basket of Goods vs. the Economist's



- General Consumer Goods
- Business & Industry
- Autos & Transportation
- Fuel & Service Stations
- Restaurants & Hotels
- Building & Construction
- Food & Drugs

A



B

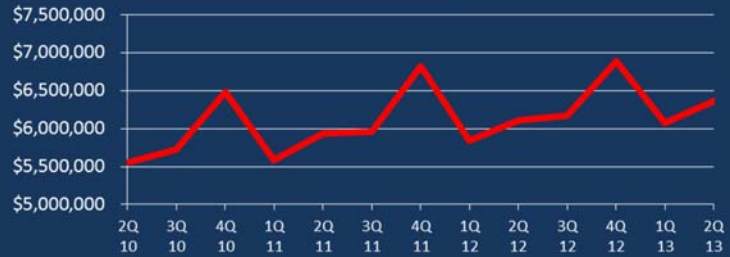


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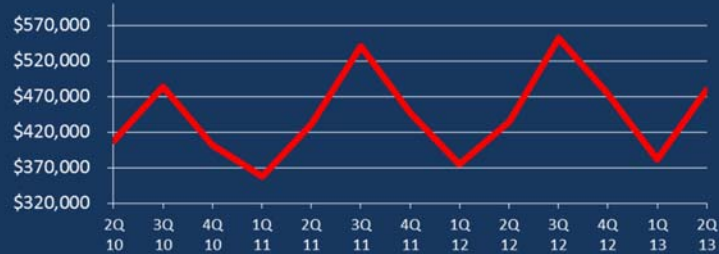


Different Bases – Different Issues:

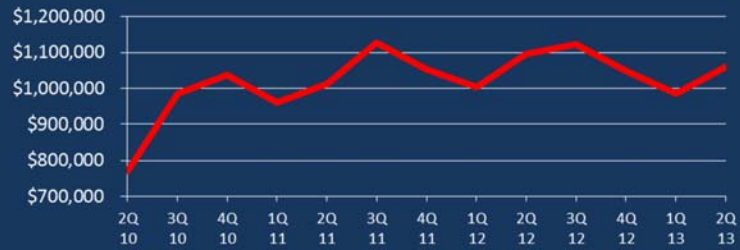
Regional Retail



Tourist Town



Industrial Tax Base



TRACK YOUR MAJOR TAX GENERATORS

Rank	Firm Name	FY Receipts	Percent Change	Percent of Total	Cumulative Percent
1	Bargain Bucks	1,756,226	16.51%	14.62%	15%
2	Acme Dental Supply	493,029	63.30%	6.34%	21%
3	Honest John Auto	649,885	6.59%	5.64%	27%
4	Latest and Greatest	488,856	23.76%	4.75%	31%
5	Wild Things Apparel	473,470	57.42%	4.67%	36%
6	Value Mart	370,634	16.47%	4.11%	40%
7	Lumber Lot	447,480	18.87%	3.68%	44%
8	Last Gasp Electronics	335,134	-13.29%	2.82%	47%
9	Industrial Chemicals inc	334,847	3.46%	2.65%	49%
10	Mike's Beer & Gas	287,702	2.92%	2.37%	52%
Total		5,637,263		51.66%	52%

Step #1 – Separate One Time Events

- Retroactive Taxpayer Refunds/audit levies.
- Use Tax from One-time Purchases.
- BOE Fund Transfers.
- BOE Accounting Corrections.
- Late and Double-up Payments.
- Misallocations (Regardless if In Your favor).

Step #2 – Factor in Future Changes

- New or Coming businesses.
- Closing or dying businesses.
- New Competition from outside of Jurisdiction.
- Short-term Capital Projects (Use Tax).
- Changes in Tax Law and Regulations.
- Shift of Tax to On-line Fulfillment Centers.

Step #3 – Forecast By Economic Segment

Autos & Transportation... Building & Construction...
Business & Industry... Food & Drugs... Fuel & Service
Stations... General Consumer Goods... Restaurants &
Hotels... Receipts from County Allocation Pools.



Step #4 - From the Net Increase/Decrease, factor takeaways and Give-backs:

-  - State Administrative fees.
-  - County Bites (If Any).





Putting It Together:

City of Gotham

BOE Payment (Net of Fees):

Current 2Q2016	\$ 3,241,599
Previous 1Q2016	3,313,388
Previous 4Q2015	3,452,303
Previous 3Q2015	3,353,313
	<hr/>
	\$ 13,360,603

One-Time Events/Changes:

Gotham Hospital Project	\$ 275,000
Ajax Generator Purchase Q315	(185,625)
Honest John Auto-Mgmt. Change	(150,000)
Itty Bitty Italian Motors - New (2 QTRS)	120,000
Funky Fuel - Pending Correction	48,500
We Squeeze Finance Refund 4Q15	38,525
Granny's Grill - New (3QTRS)	30,000
Somebody Else's Money 2Q2016	(16,650)
Randy Andy's - closed	(13,625)
	<hr/>
	\$ 146,275



Economic Factors (3 Qtrs.)

Autos/Transportation + 2.5%	\$82,220
General Consumer Goods + 1.5%	\$42,880
Restaurants/Hotels + 5.7%	\$68,100
Building / Construction +6.0%	\$23,100
Fuel / Service Stations - 2.0%	\$-16,200
Business / Industry + 2.5%	\$9,800
Food / Drugs + 2.7%	\$9,450
County Pools + 8.0%	\$88,765
Economic Factors	<hr/>
	\$308,115
One Time Adjustments	\$146,275
(Less BOE Fees)	<hr/>
	\$(234,521)
(1.5% increase from 2015-16)	\$13,560,872

Round to:	\$ 13,561,000
Adjust for Accrual	\$ 13,624,000 (60 days)
	\$ 13,634,500 (90 days)



Accrual

	<u>60 Day Accrual</u>	<u>90 Day Accrual</u>
July 2016 Advance	(\$911,000)	(\$911,000)
Aug. 2016 Advance	(\$1,215,000)	(\$1,215,000)
Sept. 2016 Clean-up	-0-	(\$337,500)
July 2017 Advance	\$938,000	\$938,000
Aug. 2017 Advance	\$1,251,000	\$1,251,000
Sept. 2017 Clean-up	-0-	\$348,000



Transactions Tax Overrides – Same Process - Different Basket of Goods.

- Tax collected only from Jurisdiction's businesses and residents:
 - Vehicles, Vessels, Aircraft registered to district.
 - Merchandise shipped into district from out-side pays. Merchandise shipped from inside to outside does not.
 - Walk-In Retail matches sales tax.
- Retailers without In-district Nexus not obligated to collect tax.





Proposition 172 Revenues

- Only for cities incorporated and receiving property tax revenues in 1993-94 or before.
- Administered and remitted to Cities by County-Auditor Controllers.
- Percentage Share to cities range from 4.5% to 6.1% depending on county.
- Obtain projections from County-Auditor Controller
(HdL performs the projections for majority of counties)



In Short.....

- Factor out one-time payments and accounting aberrations.
- Factor for new or closing businesses and other changes.
- Forecast by individual Economic Segments.
- Deduct BOE fees and county bites (if any).
- Adjust for 60 or 90 day accrual.



QUESTIONS?



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