

SALES AND USE TAX OVERVIEW

Economic Development and Finance Committee
October 17, 2014



OVERVIEW

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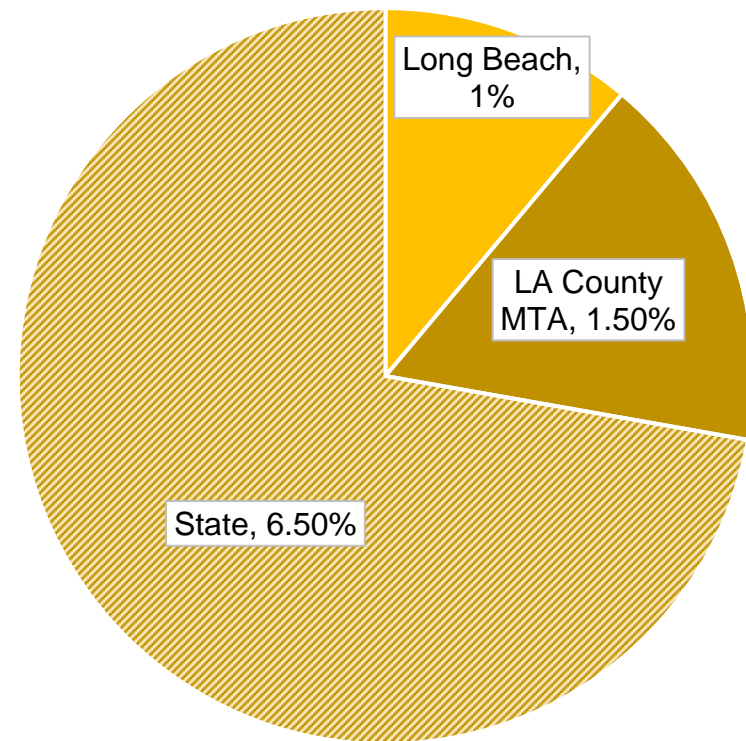
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BACKGROUND



Overview: Sales & Use Tax

- Sales & Use Tax rate in Long Beach is 9.0 percent
- Long Beach receives 1.0 percent of the Sales Tax rate
- Sales Tax is imposed upon the retailer on the sale of goods in the State and Use Tax is imposed on consumers who buy goods out of State
- The City receives 2.2% of the 1.0% Use Tax allocated to the countywide pool



State Board of Equalization Regulations

Availability of Sales and Use Tax Data

- Revenue and Taxation Code Section 7056 regulates and safeguards confidential Sales Tax information
- Access to Sales and Use Tax information is restricted by designation of the City's current resolution
- The City Manager, City Auditor, Director of Finance, Revenue Officer, select members of Financial Management staff, and MuniServices (the City's consultant) are granted access to the City's Sale and Use Tax data



SUCCESSSES



Successes in Revenue Recovery & Maximization

- **Recovered \$7.6 million of misallocated Sales and Use Tax captured over a 7-year period**
 - **Includes one-time and ongoing revenues**
 - **Identified through audits and corrections of misallocated Sales Tax**
- **Recovered \$2.9 million of misallocated Use Tax in 2013**
- **Direct Payment Program (DPP) ensures the City the 1.0 percent allocation of Use Tax instead of the countywide pool rate**



Successes in Revenue Maximization

- **The City has agreements that retain or bring new new Sales Tax generators in Long Beach**
- **3 Location Agreements in the economic category of energy sales**
 - **Generate at least \$50 million in taxable sales**
- **1 Purchasing Company Agreement in construction building materials**
- **6 Retail Agreements:**
 - **Generate at least \$5 million in taxable sales**
 - **Agreements in the categories of automobile sales and retail centers**



CURRENT SALES TAX PERFORMANCE



Sales Tax by Category

Period: July 2013 – June 2014

Economic Category	% Share	Amount
Food Products	22.6%	\$ 11,267,182
Transportation	21.0%	10,454,167
Construction	18.7%	9,295,353
General Retail	18.6%	9,257,210
Business-to-Business	18.4%	9,173,370
Miscellaneous	0.7%	358,313
Total	100%	\$ 49,805,596



Note: Includes location agreements in Construction and Business To Business categories.

Top 25 Sales Tax Generators

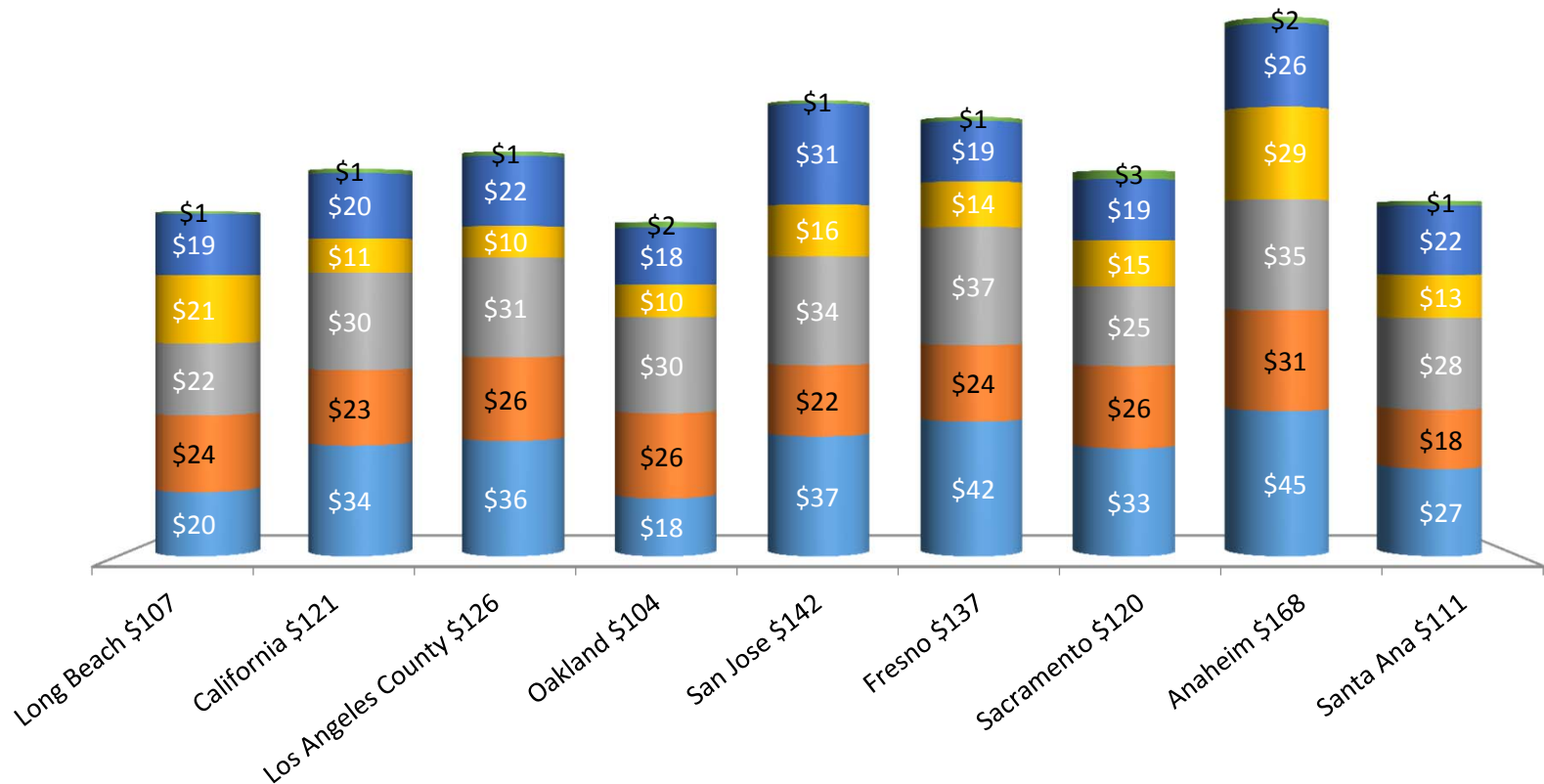
Sorted in Alphabetical Order

- CABE TOYOTA
- CHEVRON SERVICE STATIONS
- CIRCLE PORSCHE AUDI
- DION & SONS
- EDISON MATERIAL SUPPLY
- ENTERPRISE RENT-A-CAR
- GENERAL PETROLEUM
- HOOMAN TOYOTA
- LONG BEACH TRAVEL CENTER
- LOWE'S HOME IMPROVEMENT
- MERRIMAC PETROLEUM
- PCH TRUCK STOP SERVICE STATION
- RALPH'S GROCERY COMPANY
- RITE AID DRUG STORES
- ROSS STORES
- SAM'S CLUB
- SHELL SERVICE STATIONS
- SOUTHERN COUNTIES OIL COMPANY
- TARGET STORES
- TIMMONS VOLKSWAGEN
- UNITED SERVICE STATIONS
- VONS GROCERY COMPANY
- WAL-MART STORES
- WORLD FUEL SERVICES
- WORTHINGTON FORD



Peer City Comparison

Sales Tax Per Capita
Period: April 2013 - March 2014 Sales Period
(Benchmark Year FY 2014 Q3)



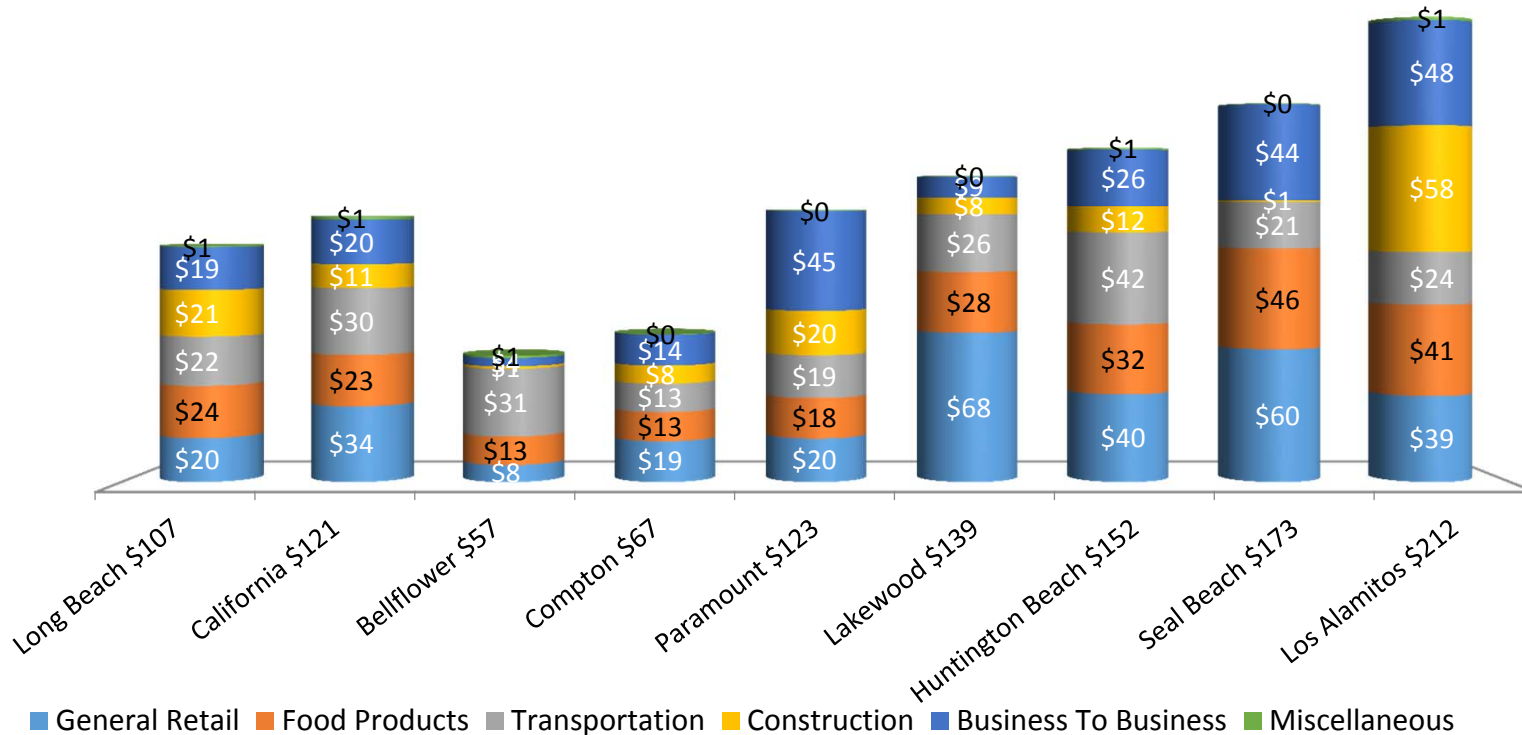
■ General Retail
 ■ Food Products
 ■ Transportation
 ■ Construction
 ■ Business To Business
 ■ Miscellaneous

Note: Includes location agreements in Construction and Business To Business categories.



Neighboring City Comparison

Sales Tax Per Capita
Period: April 2013 - March 2014 Sales Period
(Benchmark Year FY 2014 Q3)



■ General Retail ■ Food Products ■ Transportation ■ Construction ■ Business To Business ■ Miscellaneous

Signal Hill (\$1,105) and Cerritos (\$470), which capture the largest share of per-capita sales tax, were excluded from chart for scaling purposes.

Note: Includes location agreements in Construction and Business To Business categories.

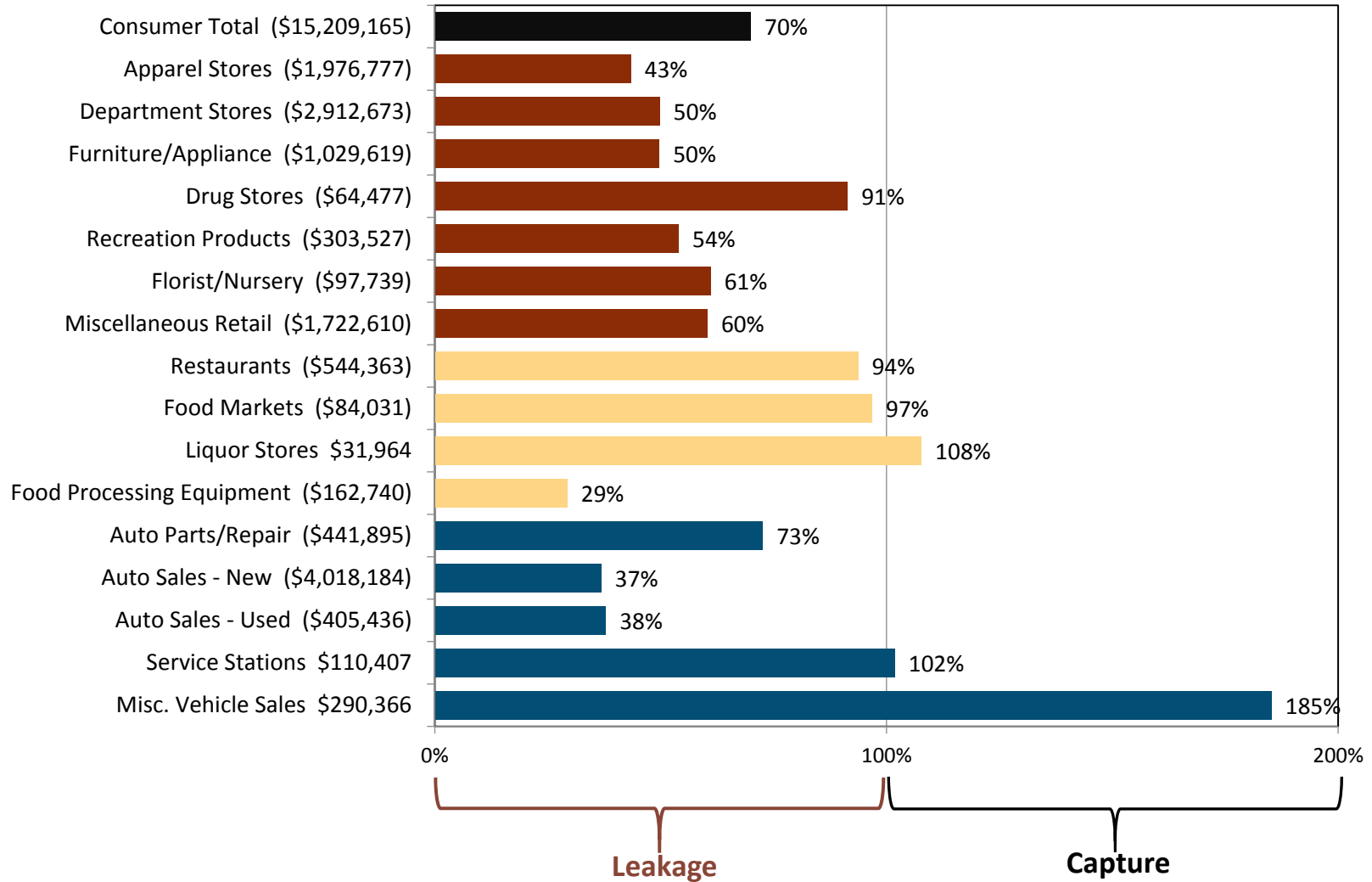


Capture and Gap Analysis

Sales Tax Capture & Gap by Economic Segment

FY 14 - Q3

(Leakage)/Capture



Sales Tax Leakage in Consumer Driven Categories

City	General Retail	Food Products	Transportation
Long Beach	53%	94%	70%
Cerritos	266%	110%	558%
Huntington Beach	71%	82%	88%
Lakewood	166%	99%	77%
Signal Hill	348%	145%	779%
Fresno	88%	98%	89%
Los Angeles	81%	97%	76%
Oakland	51%	102%	105%
San Jose	94%	77%	108%
Santa Ana	119%	118%	147%
Examples of stores	Target, Wal-Mart, Sam's Club, Ross, Drug Stores, cell phone retailers, recreation products and BestBuy	Fast food, sit down dining, food markets and grocery stores	Toyota, VW, Ford, Audi, Honda, GM, service stations, boats, motorcycles and airplanes



Potential Limitations to Sales Tax Capture

CITY CONSIDERATIONS:

- City must comply with the General Plan
- Address residential priorities and concerns within neighborhood communities
- Regulations limiting the ability to entice retailers to move from one city to another

RETAIL/MARKET CONSIDERATIONS:

- Proximity to neighborhoods and community pockets with disposable income thresholds
- Demographic requirements and evidence of consumer demand
- Compatible properties
- Reduce risk of cannibalization



OPPORTUNITIES

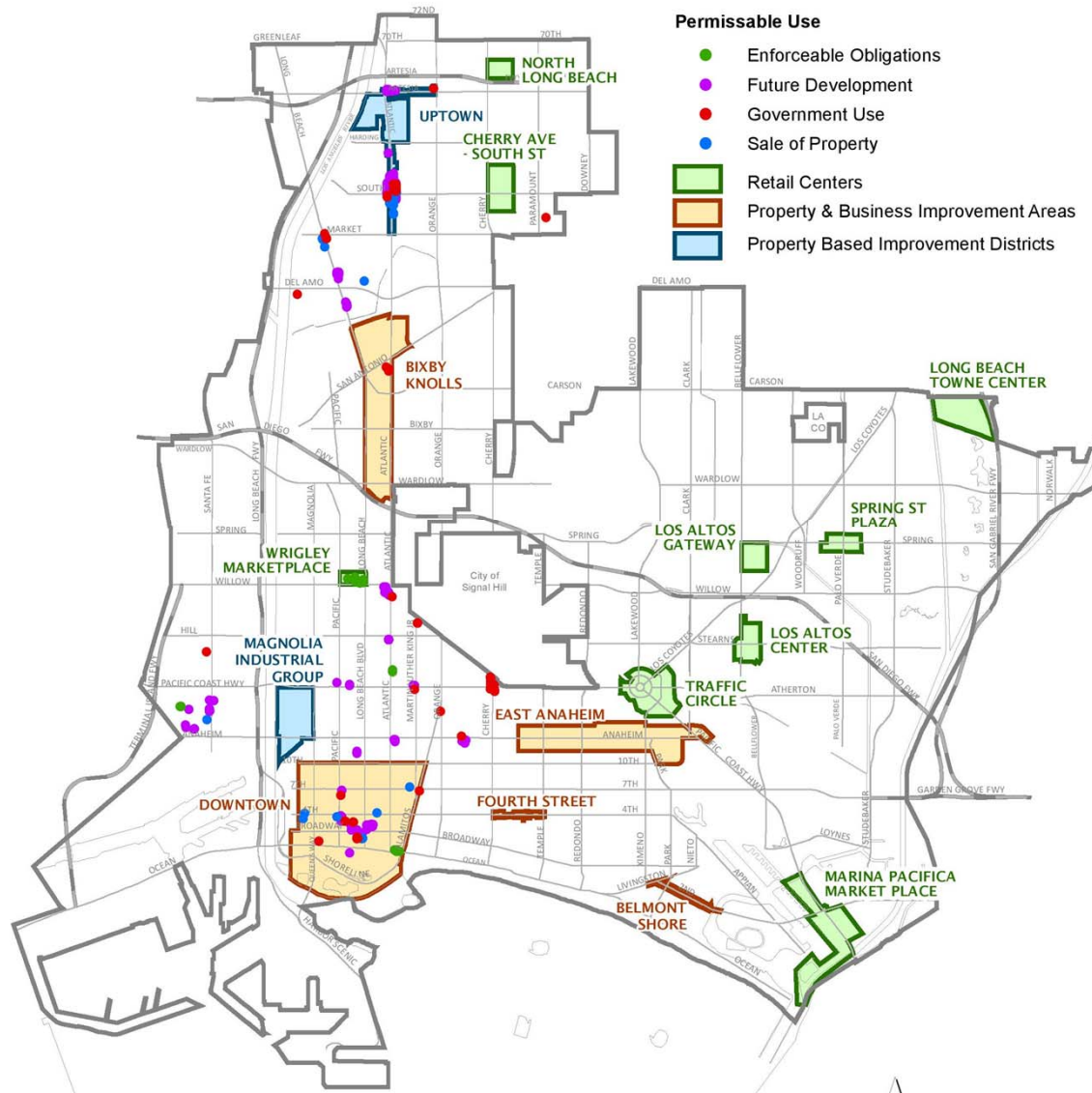


Sales Tax Capture and Maximization

- 1. Consider expanding and/or marketing the City's current incentive agreement programs.**
- 2. Focus efforts into categories with largest leakage: Apparel Stores, Department Stores and Auto Sales- New Vehicles**
- 3. Use consultants to develop list of retailers looking to locate or expand in our region**
- 4. Match former RDA (Successor Agency) properties with retailers in the above categories**



Successor Agency Properties and Nearby Major Retail Areas



Top 25 Job Producing Businesses in Long Beach

Sorted by Number of Jobs

- THE BOEING COMPANY (4,203)
- MOLINA HEALTHCARE INC (1,057)
- JETBLUE AIRWAYS CORPORATION (653)
- SCAN HEALTH PLAN (650)
- LONG BEACH MEMORIAL MED CENTER (639)
- WAL-MART STORES INC (607)
- SAVE THE QUEEN LLC (549)
- AUTOMOBILE CLUB OF SO. CAL. (511)
- VERIZON CALIFORNIA INC (501)
- YMCA GLB METROPOLITAN OFFICE (500)
- EPSON AMERICA INC (485)
- TOYOTA AUTO BODY CA INC (482)
- TARGET CORPORATION (452)
- HOF'S HUT RESTAURANTS INC (442)
- HLB FUNDING LLC (380)
- 24 HOUR FITNESS INC (348)
- HYATT CORPORATION (335)
- TELECARE CORPORATION (326)
- DENSO PRODUCTS AND SVCS (322)
- THE SALVATION ARMY A CA CORP. (288)
- THUMS LONG BEACH COMPANY (280)
- THRIFTY PAYLESS INC (279)
- RENAISSANCE HOTEL MGMT CO (273)
- CONTINENTAL GRAPHICS CORP (270)
- RALPH'S GROCERY COMPANY (265)



FOLLOW-UP OPTIONS



FOLLOW-UP OPTIONS

- 1. Staff Presentation of Periodic Economic Activity Reports**
- 2. Maximize Sales and Property Tax Revenues**
- 3. Strengthen the City's Economic Development Functions and Program**
- 4. Update BOE Sales and Use Tax Resolution to expand access and permit Economic Development as a government function**

