

Sales Tax Revenue Takes a Hit

The City received preliminary results for Q2 sales tax returns (covering the period of April through June 2014) and the results were disappointing. There is typically a modest uptick after what is traditionally a slow quarter in Q1, however, this year the trend was reversed. Sales tax revenue for Q2 was approximately \$7.12 million, 7.7 percent below the \$7.71 million collected in Q2 of 2013. Q2 of this year represented the lowest Q2 of the past four years.

Numerous one-time accounting adjustments caused this highly volatile revenue source to decline. There was a major decline in receipts from the Business & Industry segment, the largest segment of sales tax payers in the City. Thankfully, this large decline was partially offset by double-digit growth from the County pool, and Building & Construction sectors, as well as positive quarters for Restaurants & Autos. Staff will meet with our sales tax consultant in early October to receive a detailed report, and will provide the highlights of that report in a Biweekly Report item.

These preliminary numbers represent the final receipts for Fiscal Year 2013/14. Total sales tax revenue for the year was \$30.29 million, slightly above the estimated \$29.76 million in the FY 2014/15 Adopted Budget. In comparison to the prior year, sales tax revenue increased a very modest 0.8 percent from \$30.03 million in FY 2012/13.