

Q2 2014



Manhattan Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Manhattan Beach In Brief

Receipts for Manhattan Beach's April through June sales were 2.2% higher than the same quarter one year ago. Actual sales activity was down 0.2% when reporting aberrations were factored out.

Recent additions helped boost revenues from casual dining restaurants and grocery stores.

The city experienced a strong sales quarter for the fuel and service stations sector. Onetime accounting adjustments inflated results from business and industry.

The gains were offset by a decline in sales from electronics/appliance stores and the autos and transportation group.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 5.5% over the comparable time period, while the Southern California region as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple Store	Manhattan Beach Post
Arco	Manhattan Beach Toyota Scion
Barnes & Noble	Old Navy
BevMo	Olive Garden
Chevron	Ralphs
Circle K	REI
CVS Pharmacy	Sephora
Dewitt Petroleum	Strand House Standbar
Frys Electronics	Target
G B I Tile & Stone	Tin Roof Bistro
Houston's	Trader Joes
Kettle	
Macys	
Manhattan Beach Marriott	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,183,268	\$2,211,691
County Pool	228,297	253,786
State Pool	1,501	1,675
Gross Receipts	\$2,413,066	\$2,467,152
Less Triple Flip*	\$(603,267)	\$(616,788)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

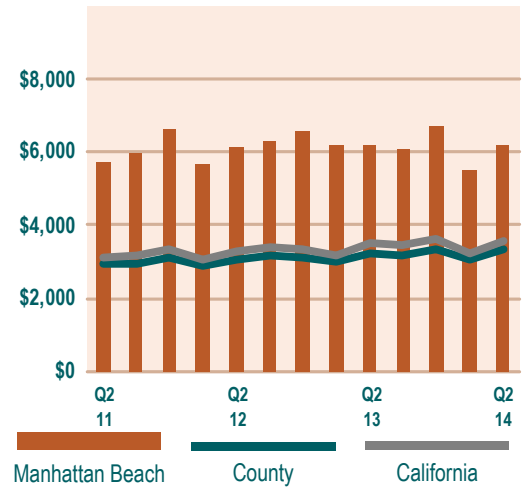
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

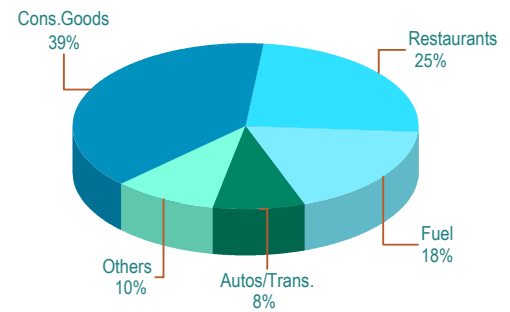
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Manhattan Beach This Quarter



MANHATTAN BEACH TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Manhattan Beach Q2 '14*	Change	County Change	HdL State Change
Casual Dining	294.4	7.6%	5.4%	4.4%
Department Stores	— CONFIDENTIAL —	—	1.8%	2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	2.9%
Electronics/Appliance Stores	186.9	-12.2%	1.3%	-1.0%
Family Apparel	73.4	2.3%	7.8%	9.6%
Fast-Casual Restaurants	44.4	4.4%	8.5%	10.7%
Fine Dining	110.1	6.8%	14.8%	14.5%
Grocery Stores Liquor	81.6	0.7%	4.3%	5.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	6.7%	7.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	0.6%	-0.7%
Quick-Service Restaurants	42.4	0.3%	5.8%	6.5%
Service Stations	121.2	6.6%	5.6%	6.7%
Specialty Stores	76.9	-4.5%	10.6%	7.7%
Sporting Goods/Bike Stores	58.4	-1.6%	0.5%	0.2%
Women's Apparel	86.8	-3.9%	0.9%	2.1%
Total All Accounts	\$2,211.7	1.3%	3.5%	2.8%
County & State Pool Allocation	\$255.5	11.2%	13.6%	12.7%
Gross Receipts	\$2,467.2	2.2%	4.5%	3.9%