

Q4 2015



Manhattan Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Manhattan Beach In Brief

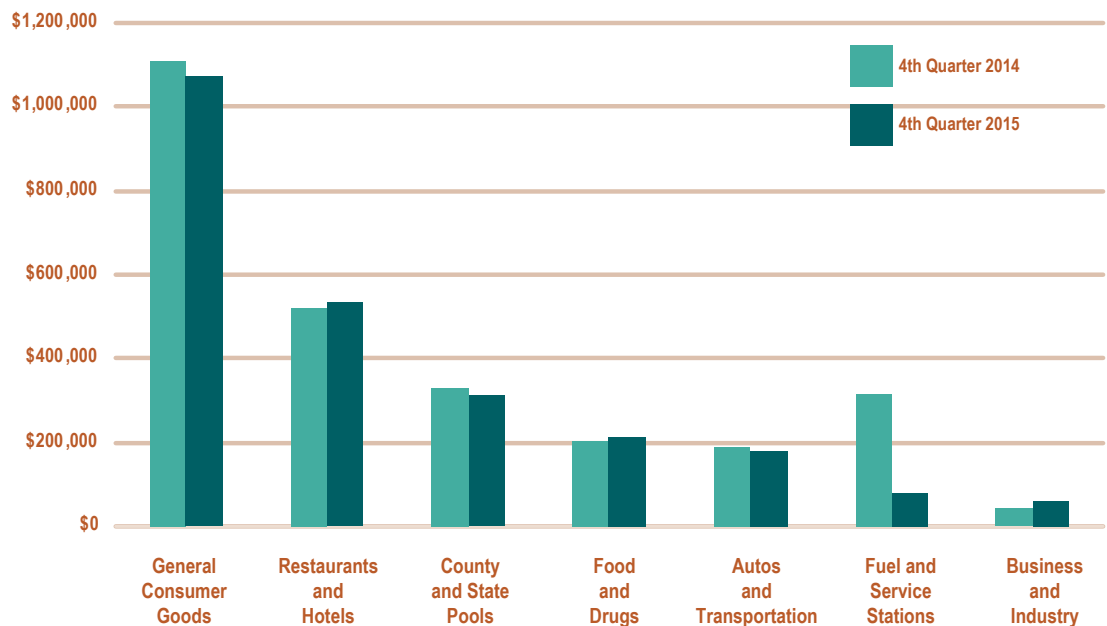
Receipts from Manhattan Beach's October through December sales were 9.5% lower than the same quarter one year ago. Actual sales activity decreased 11.6% after accounting aberrations were factored out.

Continued lower fuel prices and the closure of a major business negatively impacted the fuel and service stations group and was primarily responsible for the overall quarterly decrease.

Declining sales and a merchant closure dropped electronics/appliance store receipts contributing to poor general consumer goods results. Lower sales in some auto related categories depressed auto and transportation group returns.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.4% over the comparable time period, while the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Old Navy
AT&T Mobility	P1 Technologies
Barnes & Noble	Pottery Barn
Beach Pizza	Ralphs
BevMo	REI
Chevron	Sephora
Circle K	Strand House
CVS	Standbar
Frys Electronics	Target
Houston's	Tin Roof Bistro
Macys	Toyota Lease Trust
Manhattan Beach Marriott	Trader Joes
Manhattan Beach Toyota Scion	Vons

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$6,798,265	\$6,173,442
County Pool	842,145	812,555
State Pool	5,816	6,986
Gross Receipts	\$7,646,226	\$6,992,982
Less Triple Flip*	\$(1,911,557)	\$(1,748,246)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

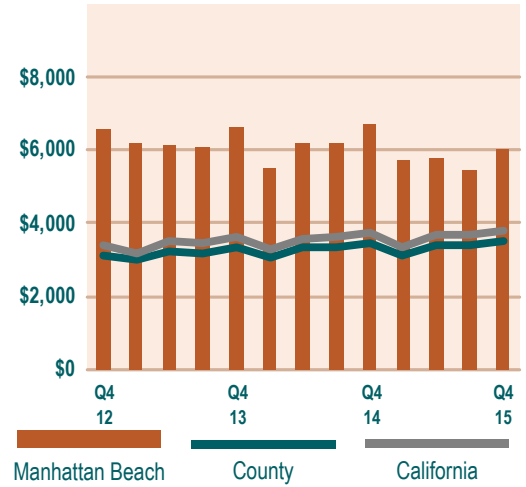
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

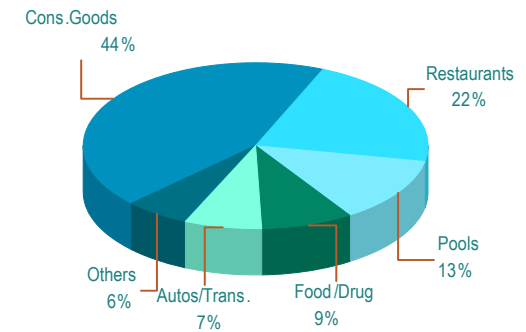
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Manhattan Beach This Quarter



MANHATTAN BEACH TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Manhattan Beach Q4 '15*	Manhattan Beach Change	County Change	HdL State Change
Casual Dining	292.0	-1.1%	8.5%	5.7%
Department Stores	— CONFIDENTIAL —	—	-1.0%	-0.4%
Discount Dept Stores	— CONFIDENTIAL —	—	3.8%	3.0%
Electronics/Appliance Stores	274.7	-12.6%	-2.7%	0.7%
Family Apparel	92.4	12.8%	7.7%	4.0%
Fine Dining	112.5	21.5%	7.5%	8.3%
Grocery Stores Liquor	94.3	7.0%	0.9%	0.6%
Home Furnishings	63.7	19.4%	-2.0%	2.0%
Liquor Stores	44.7	1.3%	8.1%	5.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	7.4%	7.8%
Quick-Service Restaurants	44.2	3.0%	6.1%	8.1%
Service Stations	82.4	-12.3%	-9.9%	-10.5%
Specialty Stores	87.3	-11.9%	8.0%	4.6%
Sporting Goods/Bike Stores	58.4	5.6%	1.0%	2.9%
Women's Apparel	82.1	-15.1%	1.2%	1.1%
Total All Accounts	2,143.4	-10.1%	1.6%	2.4%
County & State Pool Allocation	313.0	-5.2%	7.2%	10.8%
Gross Receipts	2,456.4	-9.5%	2.3%	3.5%