Q4 2016

Manhattan Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Manhattan Beach In Brief

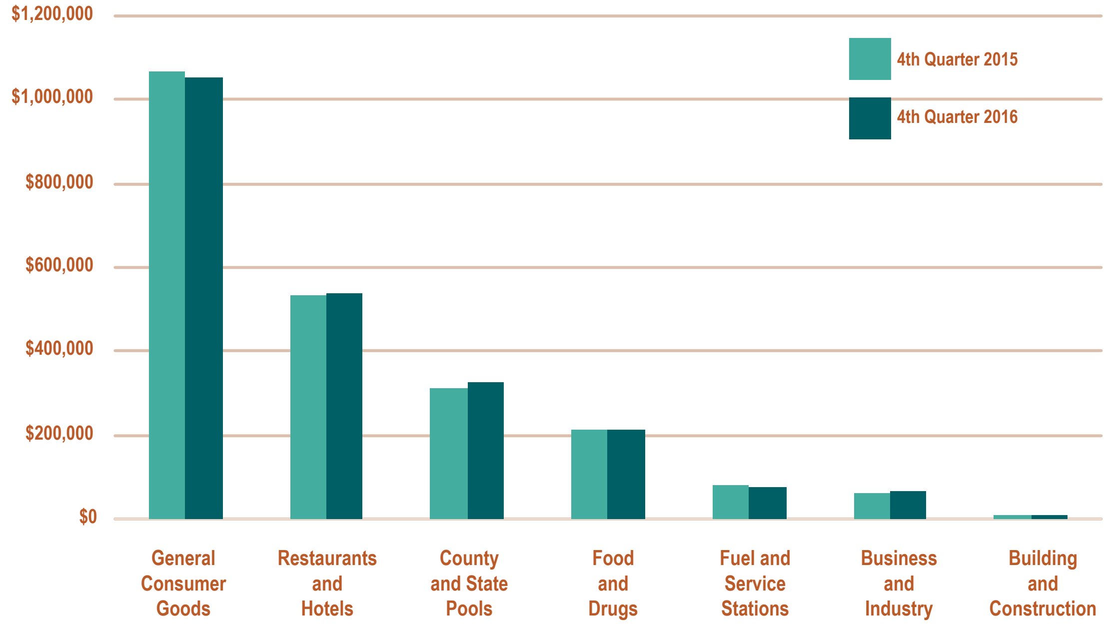
Receipts from Manhattan Beach's October through December sales were 3.5% higher than the same quarter one year ago. Actual sales activity increased 2.6% after accounting aberrations were factored out.

The autos and transportation group experienced a strong sales quarter. Most restaurant and hotel sectors enjoyed higher net sales. A larger allocation from the countywide use tax pool further contributed to the increase.

The gains were partially offset by weaker sales in several general consumer goods categories. Continued lower fuel prices negatively impacted service station revenues. A store closure depressed food and drug results.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.2% over the comparable time period, while the Southern California region was up 1.4%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

Apple	Old Navy
AT&T Mobility	Olive Garden
Barnes & Noble	Pottery Barn
BevMo	Ralphs Fresh Fare
Bristol Farms	REI
Chevron	Sephora
Circle K	Strand House Standbar
CVS Pharmacy	Target
Frys Electronics	Tin Roof Bistro
Houston's	Toyota Lease Trust
Macys	Trader Joes
Manhattan Beach Toyota Scion	Vons
Marriott Manhattan Beach Hotel	

Revenue Comparison

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	$6,173,442	$6,172,895
County Pool	812,555	882,617
State Pool	6,986	3,650
Gross Receipts	**$6,992,982**	**$7,059,163**
Less Triple Flip*	$(1,748,246)	$0

*Reimbursed from county compensation fund

Published by HdL Companies in Spring 2017
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NOTES

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the countywide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

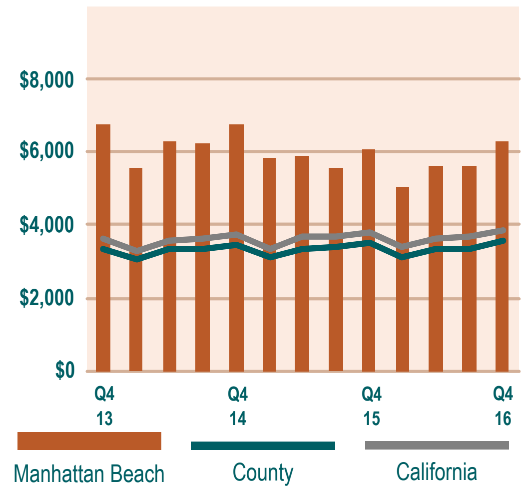
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

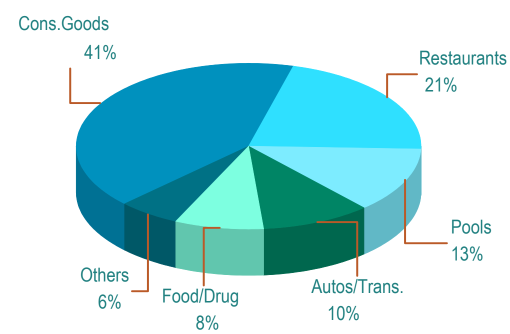
Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

Sales Per Capita



Revenue By Business Group

Manhattan Beach This Quarter



Manhattan Beach Top 15 Business Types

**In thousands of dollars*	Manhattan Beach		County	HdL State
Business Type	**Q4 '16***	**Change**	**Change**	**Change**
Casual Dining	285.2	-2.5%	3.2%	2.9%
Convenience Stores/Liquor	51.6	-3.7%	3.1%	4.4%
Department Stores	— CONFIDENTIAL —		-3.2%	-5.6%
Discount Dept Stores	— CONFIDENTIAL —		-0.9%	-0.6%
Electronics/Appliance Stores	273.3	-0.5%	1.9%	-1.3%
Family Apparel	93.2	0.9%	4.1%	4.7%
Fast-Casual Restaurants	42.5	-0.4%	9.5%	5.5%
Fine Dining	117.6	5.1%	9.9%	11.5%
Grocery Stores	118.7	-1.7%	7.0%	4.1%
Home Furnishings	46.9	-26.4%	2.0%	0.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —		2.7%	5.6%
Service Stations	75.9	-3.8%	-2.6%	-0.9%
Specialty Stores	85.9	1.1%	5.7%	3.7%
Sporting Goods/Bike Stores	61.3	5.0%	-1.6%	0.6%
Women's Apparel	81.8	-0.4%	-7.5%	-0.5%
Total All Accounts	**2,219.5**	**3.6%**	**3.6%**	**2.4%**
County & State Pool Allocation	**323.9**	**3.5%**	**3.5%**	**6.9%**
Gross Receipts	**2,543.4**	**3.5%**	**3.6%**	**3.0%**