

Q1 2017



Manhattan Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Manhattan Beach In Brief

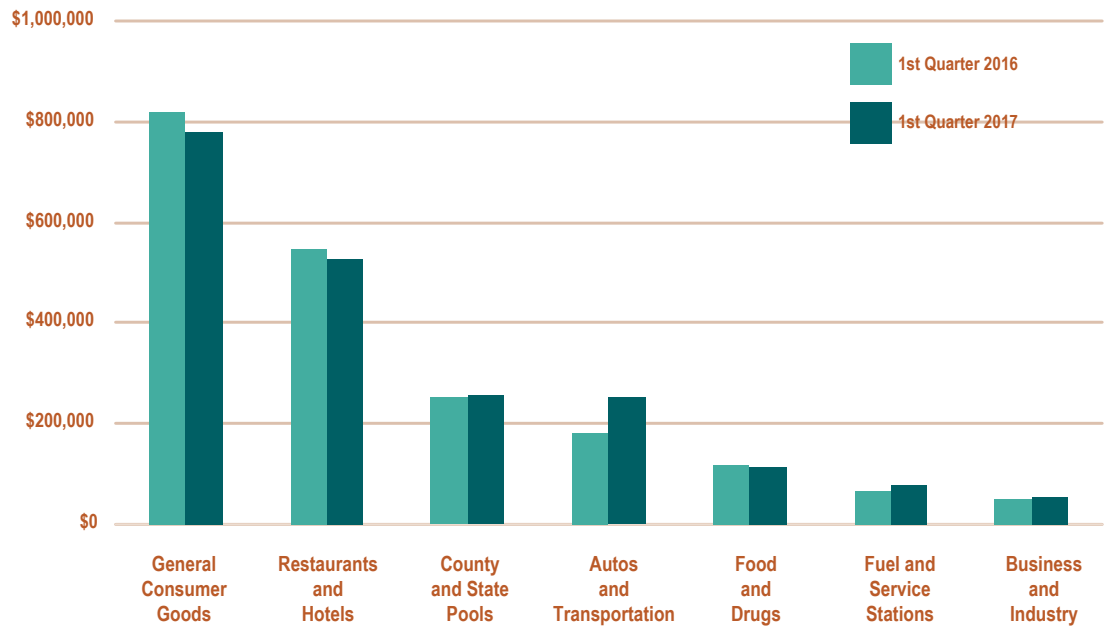
Manhattan Beach's receipts from January through March were 2.0% above the first sales period in 2016. Actual sales activity was up 1.8% when reporting aberrations were factored out.

The City experienced a strong sales quarter for the autos and transportation sector and shoe stores. A partial payment in the year ago period inflated results from service stations. Onetime payments increased returns from the business and industry group.

The gains were offset by a decline in sales from home furnishings, women's apparel and family apparel. A onetime accounting adjustment that inflated last year's allocation caused the drop in stationery/book stores. Business closeouts reduced receipts from casual dining restaurants.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.1% over the comparable time period; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Marriott Manhattan Beach Hotel
BevMo	Nick's
California Pizza Kitchen	Old Navy
Chevron	Olive Garden
Circle K	REI
CVS Pharmacy	Sephora
Frys Electronics	Skechers
Houston's	Strand House Standbar
Kettle	Target
Macys	Tin Roof Bistro
Manhattan Beach Toyota Scion	Toyota Lease Trust
Manhattan Gas & Mart	Trader Joes
	True Religion

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$7,956,350	\$7,990,598
County Pool	1,066,441	1,137,715
State Pool	5,832	6,213
Gross Receipts	\$9,028,624	\$9,134,526
Less Triple Flip*	\$(1,748,246)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

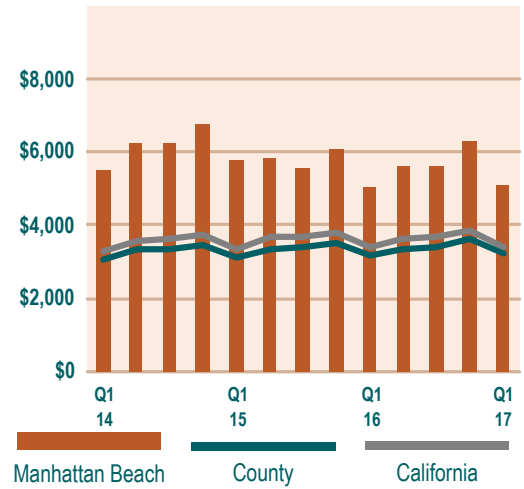
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

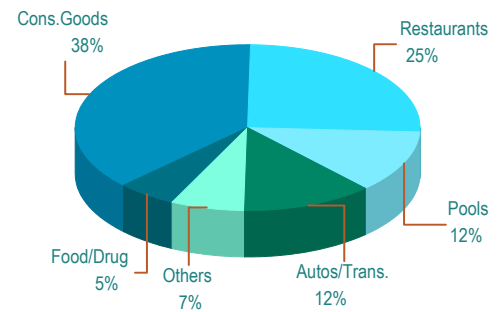
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Manhattan Beach This Quarter



MANHATTAN BEACH TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Manhattan Beach Q1 '17*	Change	County Change	HdL State Change
Casual Dining	288.0	-2.8%	1.6%	1.0%
Department Stores	— CONFIDENTIAL —	—	-4.1%	-6.5%
Discount Dept Stores	— CONFIDENTIAL —	—	2.5%	1.6%
Electronics/Appliance Stores	200.3	-0.5%	-0.7%	-0.5%
Family Apparel	64.3	-7.6%	-0.6%	0.8%
Fast-Casual Restaurants	42.0	-4.2%	12.3%	9.7%
Fine Dining	118.9	-0.1%	13.3%	12.2%
Grocery Stores	45.2	-5.3%	1.2%	0.4%
Home Furnishings	40.3	-20.2%	-0.2%	-1.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	0.9%	4.4%
Quick-Service Restaurants	41.7	3.3%	4.6%	4.5%
Service Stations	78.3	16.7%	6.9%	10.0%
Specialty Stores	65.6	-8.4%	3.0%	0.3%
Sporting Goods/Bike Stores	44.7	-1.7%	-16.0%	-13.8%
Women's Apparel	66.3	-11.1%	-11.3%	-7.6%
Total All Accounts	1,817.7	2.0%	2.6%	1.8%
County & State Pool Allocation	257.7	1.9%	2.6%	2.9%
Gross Receipts	2,075.4	2.0%	2.6%	1.9%