

Q3 2013



Manhattan Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2013)

Manhattan Beach In Brief

Receipts for Manhattan Beach's July through September sales were 1.6% lower than the same quarter one year ago. Actual sales activity was up 1.2% when reporting aberrations were factored out.

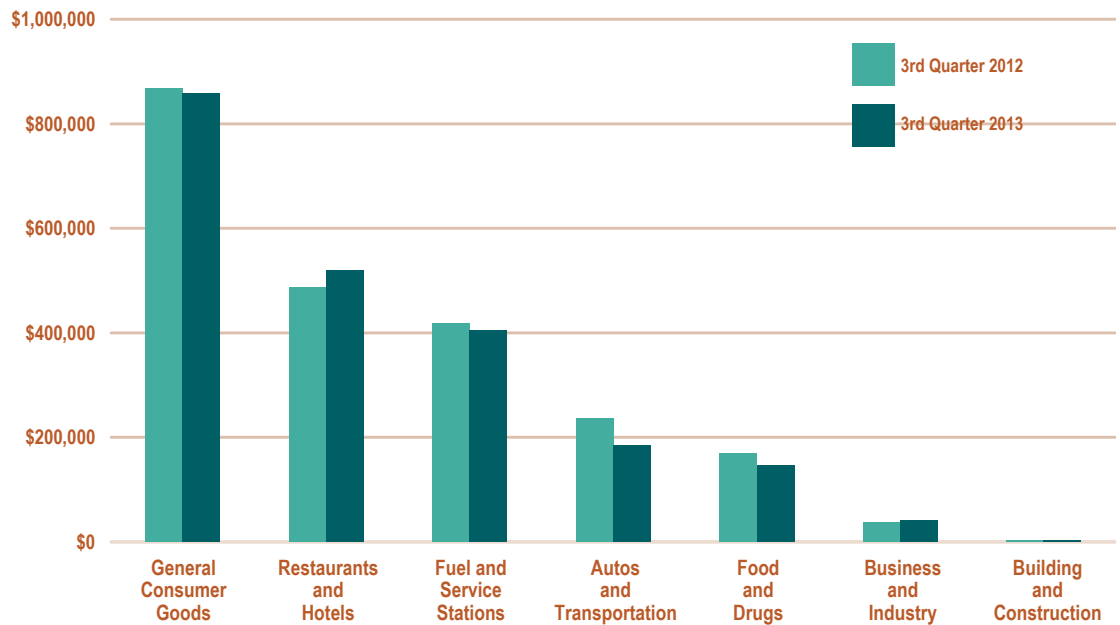
Onetime accounting adjustments were responsible for temporarily depressing the autos and transportation group. In addition, payment anomalies caused the temporary decrease from food and drugs.

General consumer goods posted sales declines from multiple categories including, family apparel, shoe stores, and electronics; however, the addition of new retailers partially cut the overall decline. The fuel and service stations sector also experienced a drop in receipts.

The losses were partially offset by strong sales from the restaurant group, where new eateries helped lift receipts. Double payments were primarily responsible for boosting receipts from business and industry.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 4.5% over the comparable time period, while the Southern California region as a whole was up 5.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Apple Store	Manhattan Beach Post
Arco	Manhattan Beach Toyota Scion
AT&T Mobility	Old Navy
Barnes & Noble	Olive Garden
BevMo	Pottery Barn
Chevron	Ralphs
Circle K	REI
CVS Pharmacy	Sephora
Dewitt Petroleum	Strand House
Frys Electronics	Standbar
Houston's	Target
Macys	Tin Roof Bistro
Manhattan Beach Marriott	Trader Joes

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$4,387,528	\$4,343,361
County Pool	497,721	487,442
State Pool	1,375	2,319
Gross Receipts	\$4,886,624	\$4,833,123
Less Triple Flip*	\$(1,221,656)	\$(1,208,281)

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter was temporarily reduced by a state computer glitch that failed to fully fund receipts from sellers of building and construction supplies. Actual sales activity was up 5.8% over last year's comparable quarter after adjusting for this and other aberrations. Overall performance was generally similar throughout most regions of the state.

New and used auto sales and leases again grew at double digit rates and were the primary contributor to the quarter's statewide growth. With on-line sales remaining strong and more businesses reporting due to the state's new out-of-state reporting requirements, countywide pool allocations became the second largest portion of this quarter's overall increase. Recovering building and construction activity was also significant with a 9.7% gain after adjusting for the delayed allocations.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the third consecutive quarter.

Local Sales Tax Measures

Ten of twelve proposals for sales tax add-ons were approved in November as voters continued to support funding local services where they have more input and control.

New taxes were approved in Antioch, Corte Madera, Huron, Larkspur, San Anselmo and Scotts Valley. Existing add-ons were either increased or extended in El Monte, Rohnert Park, San Rafael and Stockton.

This brings the total number of city transactions and use tax districts to 135 and countywide districts to 44. Additional measures are expected to appear on local ballots in 2014.

Tax Rebates

Effective January 1, AB 562 (Williams) requires public notice and hearings on economic subsidies exceeding \$100,000. Identification of beneficiaries of the subsidy, the amounts, the beginning and ending dates and promised tax and job benefits are required as are periodic updates.

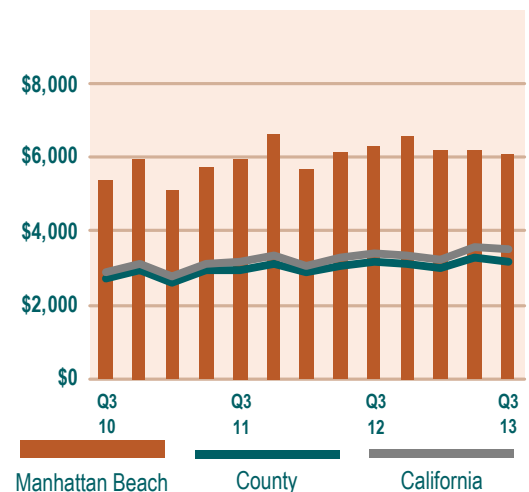
As on-line sales divert a greater portion of tax revenues from business and consumer purchases to centralized fulfillment centers, rebates of up to 85% are being bid in exchange for being the "point of sale" for the remainder. This bill encourages deeper evaluation of agreements that are collectively transferring an alarming share of statewide local sales tax to corporate bottom lines while cutting revenues for public services.

Holiday Sales Tax Shifts

Local tax receipts from fourth quarter sales will not be seen until March but may differ from previous years. Some forecasters predicted that on-

line shopping would account for up to 40% of holiday sales which would transfer that portion of the tax from stores to central fulfillment centers or county allocation pools. Final tax results from holiday spending will be pushed into June based on a National Retail Federation survey that showed 80% of shoppers gave at least one gift card. Tax is not charged until a gift card is redeemed.

SALES PER CAPITA



MANHATTAN BEACH TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Manhattan Beach Q3 '13*	Manhattan Beach Change	County Change	HdL State Change
Casual Dining	287.5	8.2%	4.6%	4.4%
Department Stores	81.3	-0.6%	2.0%	1.6%
Discount Dept Stores	— CONFIDENTIAL —	—	-10.8%	-8.2%
Electronics/Appliance Stores	220.8	-7.8%	3.4%	4.0%
Family Apparel	58.9	-10.4%	6.6%	5.6%
Fast-Casual Restaurants	47.2	28.1%	2.3%	4.9%
Fine Dining	105.5	6.6%	11.7%	10.5%
Grocery Stores Liquor	70.7	-24.1%	-20.5%	-9.7%
Home Furnishings	47.9	29.3%	7.7%	10.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	9.1%	12.7%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-3.7%	-7.1%
Service Stations	114.5	4.7%	-1.2%	-1.4%
Specialty Stores	71.5	3.1%	6.1%	7.8%
Sporting Goods/Bike Stores	55.1	-0.6%	1.8%	4.1%
Women's Apparel	91.4	12.5%	6.9%	1.2%
Total All Accounts	\$2,160.1	-2.6%	1.4%	2.5%
County & State Pool Allocation	\$260.0	7.7%	12.1%	12.5%
Gross Receipts	\$2,420.1	-1.6%	2.4%	3.5%