

Q2 2016



Manhattan Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Manhattan Beach In Brief

Manhattan Beach's receipts from April through June were 2.9% below the second sales period in 2015. Excluding reporting aberrations, actual sales were down 4.0%.

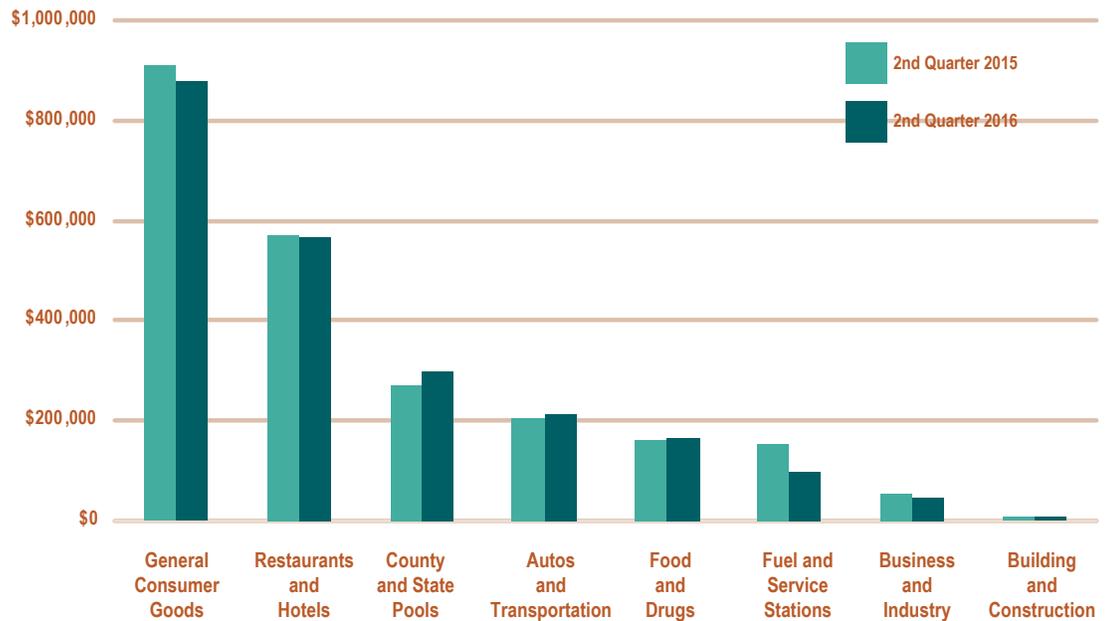
A business closeout and lower fuel prices at the pump that reduced revenue from the fuel and service stations sector were primarily responsible for the current decrease.

The City experienced a decline in sales from several categories of general consumer goods.

The losses were partially offset by a multi-year adjustment for out-of-state use tax purchases that inflated results from the county pool.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Marriott Manhattan Beach Hotel
Barnes & Noble	Nick's
BevMo	Old Navy
Chevron	Olive Garden
Circle K	Ralphs
CVS	REI
David Ks Tshirt Printing	Sephora
Frys Electronics	Strand House Standbar
General Motors Acceptance	Target
Houston's	Tin Roof Bistro
Kettle	Toyota Lease Trust
Macys	Trader Joes
Manhattan Beach Toyota Scion	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,072,076	\$1,977,110
County Pool	269,518	296,785
State Pool	1,744	694
Gross Receipts	\$2,343,338	\$2,274,589
Less Triple Flip*	\$(585,835)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

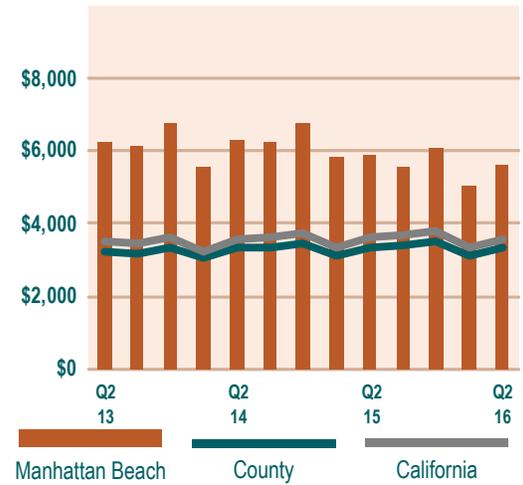
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

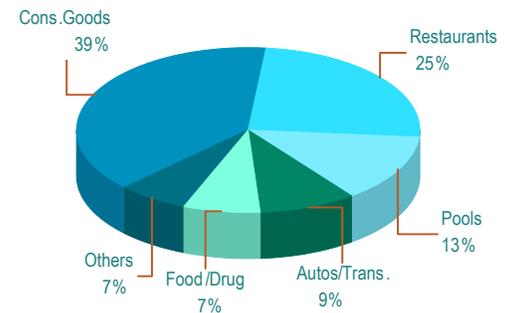
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

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 Q2 '16*	Manhattan Beach Change	County Change	HdL State Change
Casual Dining	299.6	-1.8%	6.8%	4.6%
Department Stores	— CONFIDENTIAL —	—	-0.9%	-4.3%
Discount Dept Stores	— CONFIDENTIAL —	—	0.4%	0.7%
Electronics/Appliance Stores	210.9	-1.4%	29.9%	22.3%
Family Apparel	63.5	-13.7%	3.5%	4.3%
Fast-Casual Restaurants	46.8	-0.6%	6.2%	5.0%
Fine Dining	127.1	5.6%	9.0%	11.1%
Grocery Stores Liquor	65.8	6.1%	2.2%	1.1%
Home Furnishings	51.1	-8.1%	8.0%	1.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-0.6%	2.7%
Quick-Service Restaurants	42.3	-8.5%	5.9%	6.4%
Service Stations	97.6	-6.6%	-20.4%	-19.2%
Specialty Stores	82.1	0.8%	-0.4%	2.1%
Sporting Goods/Bike Stores	63.3	2.9%	14.6%	9.4%
Women's Apparel	86.9	-2.9%	3.3%	1.6%
Total All Accounts	1,977.1	-4.6%	0.1%	-0.6%
County & State Pool Allocation	297.5	9.7%	15.1%	15.2%
Gross Receipts	2,274.6	-2.9%	1.9%	1.4%