

# Q3 2016



# Manhattan Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

## Manhattan Beach In Brief

Manhattan Beach's receipts from July through September were 2.2% above the third sales period in 2015. Excluding reporting aberrations, actual sales were up 3.6%.

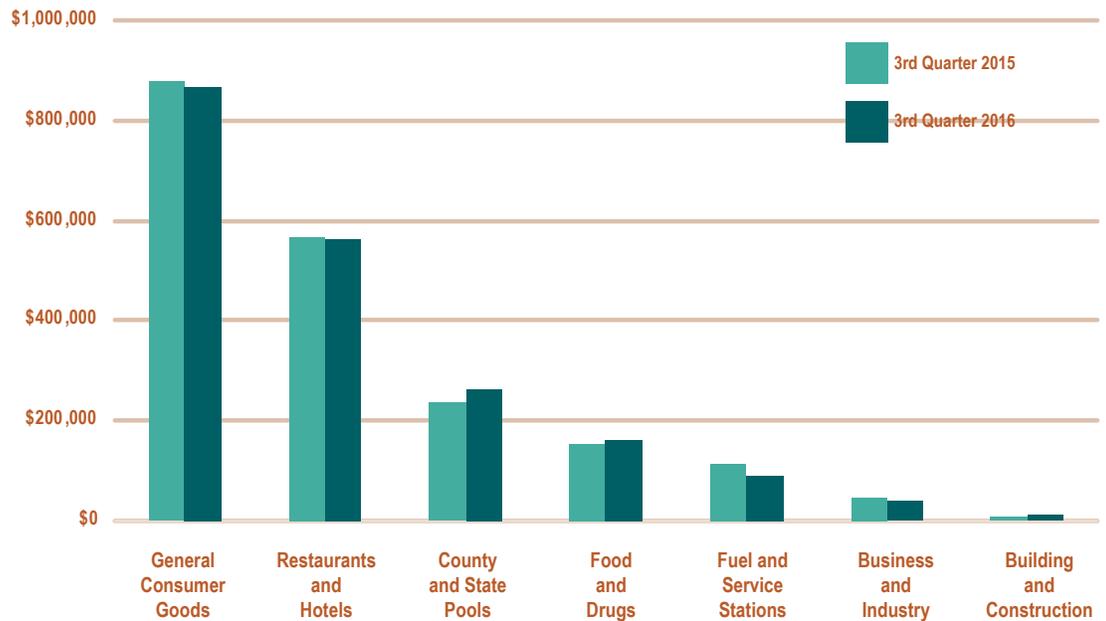
Higher allocations from the countywide use tax pool were an important factor in the overall improvement. The pool has continued to grow as online shopping for goods shipped from out-of-state fulfillment centers attracts an increasing share of consumer spending compared to traditional brick-and-mortar shopping.

Food and drug and family apparel allocations were also higher but both were inflated by payment aberrations.

Dampening these gains were lower receipts from the City's service stations with the price of gas about 20% lower in California this quarter than what it was the year before. Electronics/appliance store sales also dropped as online competition and changing consumer preferences put a dent in the bottom line. Payment aberrations additionally crimped home furnishings and business-industrial returns.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.8% over the comparable time period; the Southern California region was up 1.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	P1 Technologies
BevMo	Ralphs Fresh Fare
Chevron	REI
Circle K	Sephora
CVS	Skechers
Frys Electronics	Strand House
Houston's	Standbar
Kettle	Target
Macys	Tin Roof Bistro
Manhattan Beach	Toyota Lease Trust
Toyota Scion	Trader Joes
Nick's	Vintage Shoppe
Old Navy	Vons
Olive Garden	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$4,030,071	\$3,953,389
County Pool	504,399	560,969
State Pool	2,109	1,372
<b>Gross Receipts</b>	<b>\$4,536,578</b>	<b>\$4,515,729</b>
Less Triple Flip*	\$(1,134,145)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

**The Year Ahead**

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

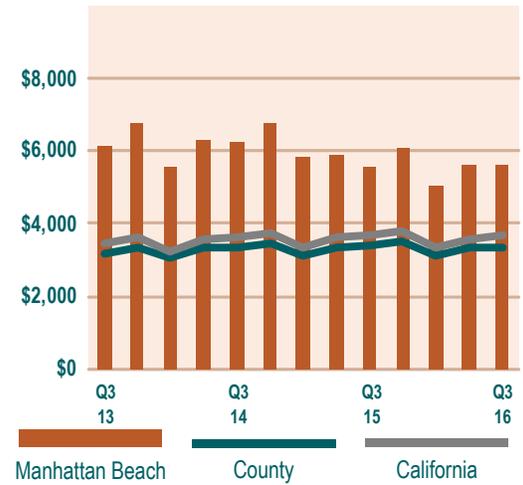
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

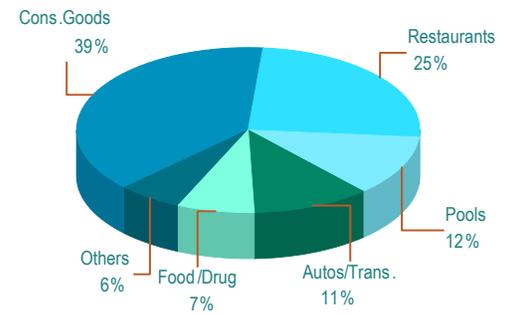
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

**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 Q3 '16*	Manhattan Beach Change	County Change	HdL State Change
Casual Dining	309.7	1.4%	5.1%	4.5%
Department Stores	— CONFIDENTIAL —	—	1.1%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.4%	-0.4%
Electronics/Appliance Stores	209.7	-7.9%	-0.3%	-1.5%
Family Apparel	76.4	13.6%	6.4%	5.8%
Fast-Casual Restaurants	47.6	1.4%	5.2%	4.9%
Fine Dining	129.0	3.7%	11.6%	11.8%
Grocery Stores	82.2	2.4%	-6.7%	-2.2%
Home Furnishings	46.0	-19.5%	-1.7%	-0.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	2.9%	4.8%
Quick-Service Restaurants	42.5	0.9%	10.3%	8.9%
Service Stations	88.6	-21.2%	-18.3%	-13.8%
Specialty Stores	74.4	-6.2%	3.2%	2.0%
Sporting Goods/Bike Stores	53.1	5.3%	-5.2%	-0.6%
Women's Apparel	82.7	-0.8%	2.4%	2.8%
<b>Total All Accounts</b>	<b>1,976.3</b>	<b>0.9%</b>	<b>0.3%</b>	<b>0.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>264.9</b>	<b>12.6%</b>	<b>11.9%</b>	<b>11.5%</b>
<b>Gross Receipts</b>	<b>2,241.1</b>	<b>2.2%</b>	<b>1.6%</b>	<b>2.2%</b>