

Q2 2017



Manhattan Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Manhattan Beach In Brief

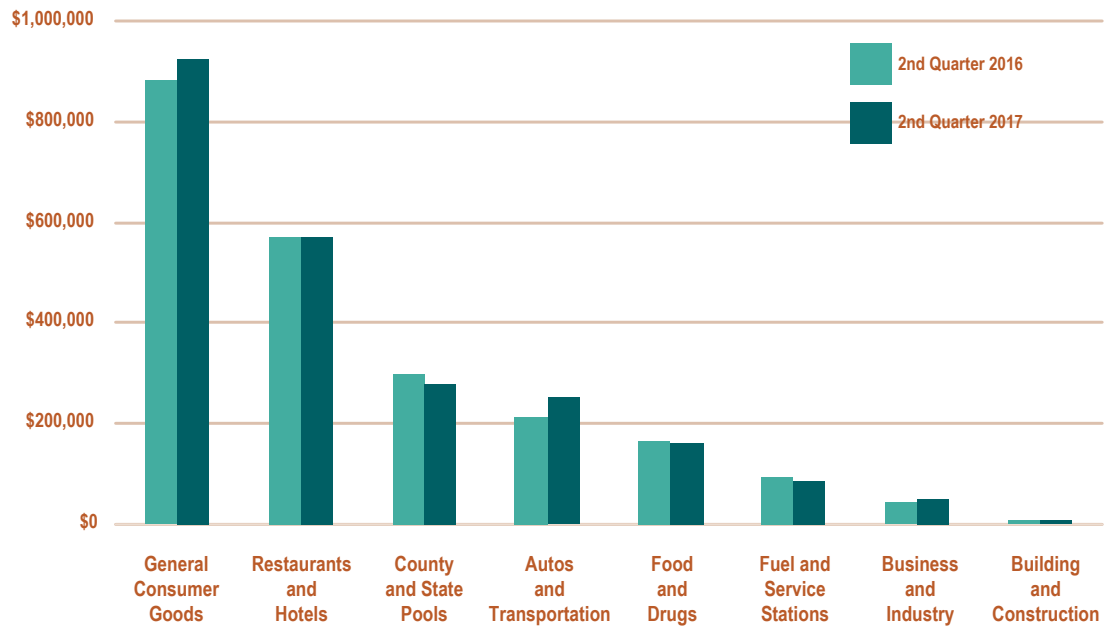
Manhattan Beach's receipts from April through June were 2.8% above the second sales period in 2016.

Auto-transportation results were stellar and significantly outpaced the statewide trend. Sporting goods were lifted by a new store opening. Postings for electronic/appliance and family apparel stores, however, were inflated by payment aberrations and would have otherwise fallen slightly.

Growth was muted by a lower allocation from the countywide use-tax pool. Last year's results were inflated by a multi-year adjustment for out-of-state use tax purchases, which made for a difficult comparison.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Marriott Manhattan Beach Hotel
AT&T Mobility	Nick's
BevMo	Old Navy
California Pizza Kitchen	Olive Garden
Chevron	Ralphs Fresh Fare
Circle K	REI
CVS Pharmacy	Sephora
Frys Electronics	Strand House Standbar
Houston's	Target
Kettle	Tin Roof Bistro
Macys	Toyota Lease Trust
Manhattan Beach Toyota Scion	Trader Joes
	True Religion

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,977,110	\$2,058,828
County Pool	296,785	281,226
State Pool	694	(1,077)
Gross Receipts	\$2,274,589	\$2,338,978
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

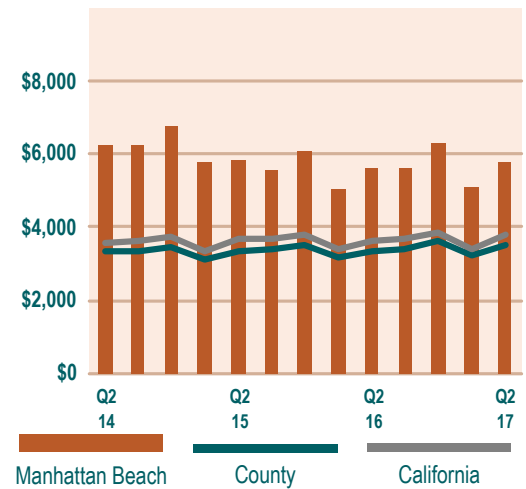
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

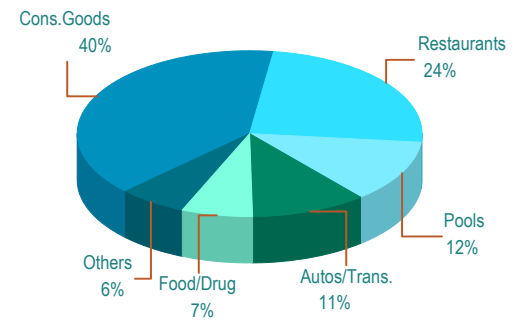
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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 Q2 '17*	Manhattan Beach Change	County Change	HdL State Change
Casual Dining	290.0	0.0%	3.4%	2.3%
Department Stores	— CONFIDENTIAL —	—	0.0%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	3.2%
Electronics/Appliance Stores	236.8	12.3%	0.4%	0.3%
Family Apparel	91.5	43.4%	4.4%	4.0%
Fast-Casual Restaurants	47.9	2.2%	11.6%	9.6%
Fine Dining	139.4	1.4%	11.1%	12.0%
Grocery Stores	86.1	-4.4%	2.0%	2.1%
Home Furnishings	42.9	-16.1%	6.0%	0.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	2.7%	3.2%
Quick-Service Restaurants	44.7	0.4%	5.5%	5.8%
Service Stations	85.6	-9.0%	9.5%	8.6%
Specialty Stores	73.1	-11.0%	1.3%	1.0%
Sporting Goods/Bike Stores	72.7	14.3%	-21.5%	-15.0%
Women's Apparel	86.6	-0.3%	-4.7%	-3.9%
Total All Accounts	2,058.8	4.1%	4.8%	6.4%
County & State Pool Allocation	280.1	-5.8%	-5.2%	-9.9%
Gross Receipts	2,339.0	2.8%	3.5%	4.1%