

Q1 2018



Manhattan Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Manhattan Beach In Brief

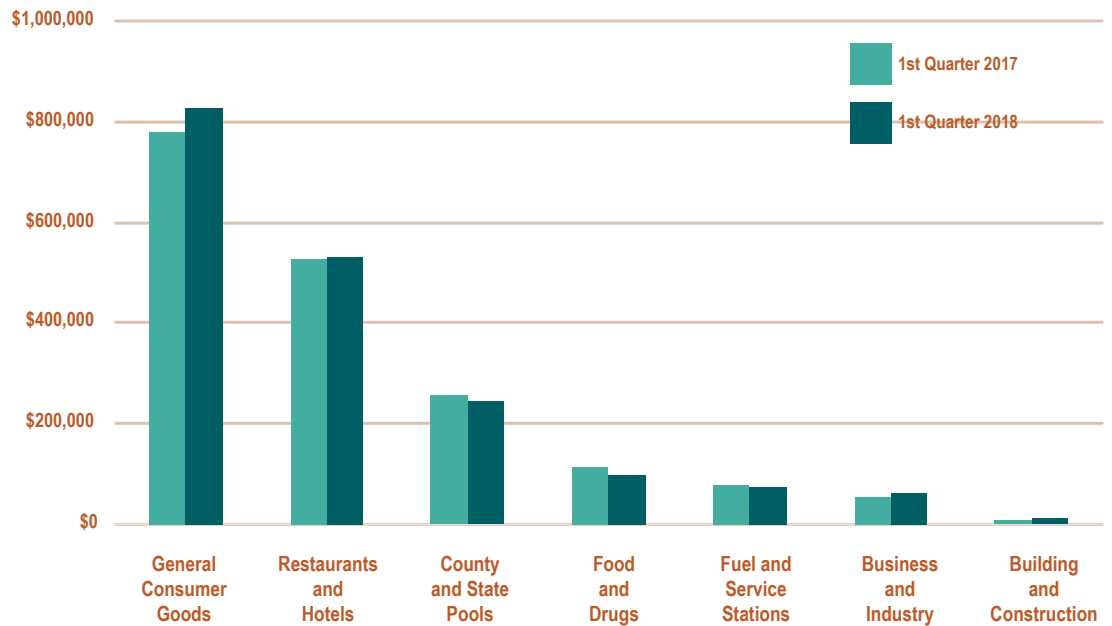
Receipts from Manhattan Beach's January through March sales were 0.4% lower than the same quarter one year ago. However, actual sales activity increased 6.1% after accounting aberrations were factored out.

Due to the State's transition to a new software system, multiple transactions were not processed in 1Q18 but are anticipated to be received with 2Q18 allocations. This situation temporarily negatively impacted the autos-transportation, food-drugs, fuel-service stations, and restaurant-hotels group results.

The losses were partially offset by general consumer goods sales gains from multiple categories including electronics/appliance and family apparel which boosted group returns 5.8%.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.4% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Office Depot
AT&T Mobility	Old Navy
BevMo	Olive Garden
Chevron	REI
CVS Pharmacy	Residence Inn Manhattan Beach
Dos Amigas Designs	Sephora
Frys Electronics	Strand House Standbar
Houston's	Target
Jill Michele Designs	Tin Roof Bistro
Kettle	True Religion
Macys	Waterleaf Interiors
Manhattan Beach Toyota Scion	Wrights
Nick's	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$7,990,598	\$7,841,193
County Pool	1,137,715	1,088,179
State Pool	6,213	2,607
Gross Receipts	\$9,134,526	\$8,931,978

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

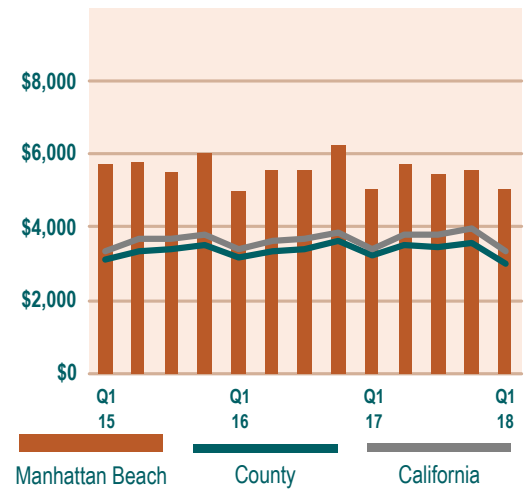
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

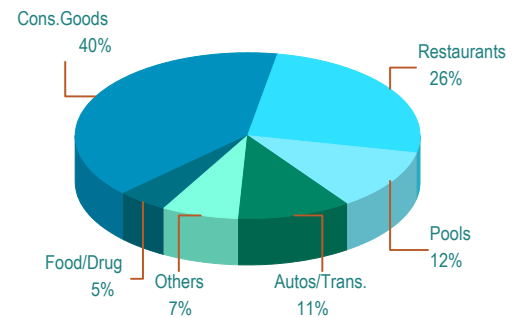
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

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 '18*	Manhattan Beach Change	County Change	HdL State Change
Casual Dining	265.8	-4.0%	-1.1%	-2.0%
Department Stores	— CONFIDENTIAL —	—	-33.0%	-35.1%
Discount Dept Stores	— CONFIDENTIAL —	—	2.7%	2.8%
Electronics/Appliance Stores	226.4	13.1%	-3.0%	0.8%
Family Apparel	107.1	44.7%	9.6%	8.2%
Fast-Casual Restaurants	40.8	4.8%	6.8%	6.8%
Fine Dining	136.2	4.8%	3.4%	5.6%
Grocery Stores	— CONFIDENTIAL —	—	8.9%	1.9%
Home Furnishings	— CONFIDENTIAL —	—	-4.7%	-1.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-1.2%	-0.2%
Quick-Service Restaurants	42.0	-7.0%	-4.1%	-3.8%
Service Stations	73.5	-6.2%	-3.8%	4.6%
Specialty Stores	62.5	-2.3%	-10.9%	-10.0%
Sporting Goods/Bike Stores	47.0	3.9%	3.7%	1.4%
Women's Apparel	50.6	-11.3%	-2.3%	-6.7%
Total All Accounts	1,822.0	0.2%	-5.9%	-1.8%
County & State Pool Allocation	246.0	-4.5%	-10.3%	-2.1%
Gross Receipts	2,068.0	-0.4%	-6.4%	-1.8%