

Q3 2018



Manhattan Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Manhattan Beach In Brief

Manhattan Beach's receipts from July through September were 12.5% higher than the same quarter one year ago. Actual sales activity was flat after reporting aberrations were factored out.

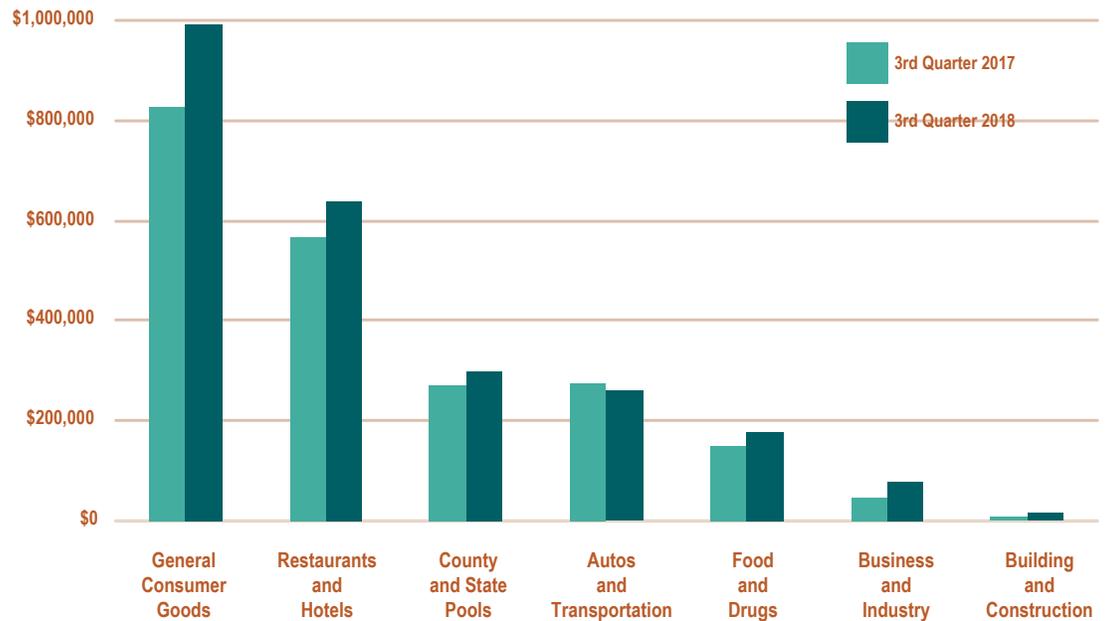
The CDTFA has resolved the bulk of outstanding payments that resulted from the State's software conversion. These multi-quarter adjustments temporarily spiked returns in all business groups and triggered a 19.9% surge in the countywide use tax allocation pool.

Buoyed by multi-quarter missing/delayed payment receipts, general consumer goods, autos-transportation, and business-industry experienced large current quarter increases. The general consumer goods group was somewhat muted by a retail merchant business closure.

While restaurant-hotels were also positively impacted by delayed payment receipts, a new eatery opening and net higher sales were also a factor.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.0% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Nick's
BevMo	Olive Garden
California Pizza Kitchen	P1 Technologies
Chilis	Ralphs Fresh Fare
Circle K	REI
Frys Electronics	Sephora
Houston's	Skechers by Mail
Kettle	Strand House Standbar
Macys	Target
Manhattan Beach Toyota Scion	Tin Roof Bistro
Manhattan Gas & Mart	Toyota Lease Trust
Marriott Manhattan Beach Hotel	Trader Joes
	Wrights

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$1,959,190	\$2,208,976
County Pool	269,932	299,831
State Pool	1,533	1,134
Gross Receipts	\$2,230,656	\$2,509,941

California Overall

The CDTEFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

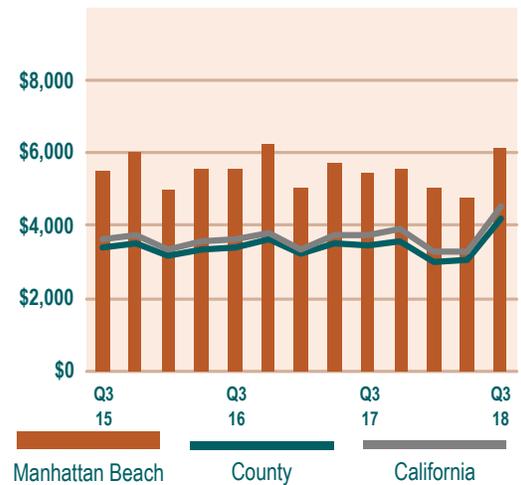
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

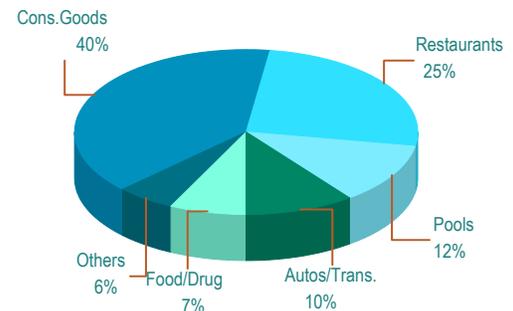
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

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 Q3 '18*	Manhattan Beach Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —	—	44.8%	43.4%
Casual Dining	342.3	13.6%	16.0%	14.8%
Discount Dept Stores	— CONFIDENTIAL —	—	17.9%	18.3%
Electronics/Appliance Stores	215.0	0.0%	9.9%	12.4%
Family Apparel	76.4	-17.8%	36.4%	36.3%
Fast-Casual Restaurants	47.0	3.2%	12.0%	15.1%
Fine Dining	145.4	6.8%	10.8%	15.9%
Grocery Stores	101.8	33.0%	22.4%	16.1%
Home Furnishings	59.0	22.6%	25.3%	21.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	12.1%	12.7%
Quick-Service Restaurants	57.7	11.3%	11.6%	13.4%
Service Stations	— CONFIDENTIAL —	—	43.8%	43.1%
Specialty Stores	100.2	55.3%	10.5%	8.1%
Sporting Goods/Bike Stores	— CONFIDENTIAL —	—	18.2%	21.1%
Women's Apparel	64.1	-0.1%	17.4%	13.7%
Total All Accounts	2,209.0	12.7%	21.7%	21.8%
County & State Pool Allocation	301.0	10.9%	19.7%	27.8%
Gross Receipts	2,509.9	12.5%	21.5%	22.6%