

Q4 2015



City of Avalon Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Avalon In Brief

Avalon's receipts from October through December were 6.0% above the fourth sales period in 2014. Excluding reporting aberrations, actual sales were up 5.0%.

Recent additions and strong sales helped boost revenues from casual dining restaurants and art/gift/novelty stores.

The City also experienced a strong sales quarter for the leisure/entertainment group and the business and industry sector. Reporting problems temporarily inflated results from family apparel.

The gains were partially offset by a decline in sales from autos and transportation.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.4% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abes Liquor Store	CSC Boardshop
Antonios Pizzeria & Cabaret	El Galleon
Bluewater Grill	Island Threadz
Buoys & Gulls	Leos Catalina Drugstore
Carnival Cruise Lines	Lobster Trap
Casino Ballroom	Maggies Blue Rose
Catalina By The Sea	Mi Casita
Catalina Cantina	Original Jacks
Catalina Yamaha Golf Cars	Pancake Cottage
CC Gallagher	Perico Gallery
Chets Hardware	Ristorante Villa Portofino
Coyote Joe's	Steves Steakhouse
	Vons

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$458,238	\$466,636
County Pool	57,296	59,981
State Pool	381	438
Gross Receipts	\$515,914	\$527,055
Less Triple Flip*	\$(128,979)	\$(131,764)
Measure C	\$328,634	\$336,416

NOTES

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

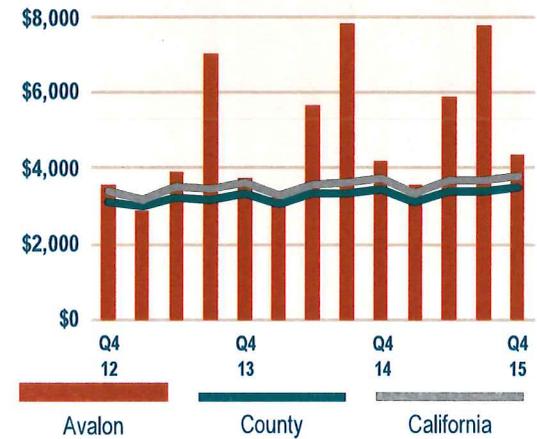
Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax revenues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

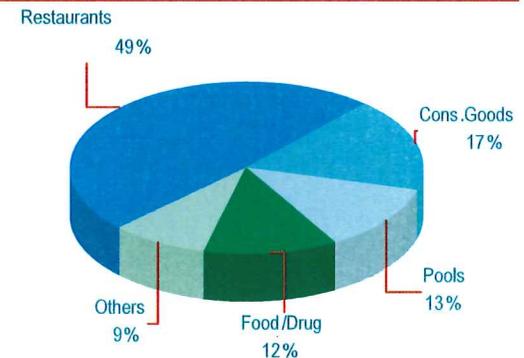
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Avalon This Quarter



AVALON TOP 15 BUSINESS TYPES

Business Type	Avalon		County	HdL State
	Q4 '15	Change	Change	Change
Art/Gift/Novelty Stores	11,890	19.7%	11.3%	3.5%
Boats/Motorcycles	3,301	-29.2%	8.1%	8.7%
Casual Dining	78,108	6.7%	8.7%	6.0%
Drug Stores	— CONFIDENTIAL —	—	2.7%	1.1%
Family Apparel	11,550	18.8%	6.9%	3.9%
Fine Dining	— CONFIDENTIAL —	—	7.5%	8.1%
Fuel/Ice Dealers	— CONFIDENTIAL —	—	-13.1%	-8.3%
Grocery Stores Liquor	— CONFIDENTIAL —	—	0.8%	0.5%
Hardware Stores	— CONFIDENTIAL —	—	6.1%	8.5%
Leisure/Entertainment	4,209	58.6%	3.1%	11.2%
Liquor Stores	— CONFIDENTIAL —	—	6.0%	4.9%
Lumber/Building Materials	— CONFIDENTIAL —	—	10.8%	10.0%
Quick-Service Restaurants	3,380	-13.7%	6.0%	7.8%
Specialty Stores	3,954	-2.0%	7.0%	4.2%
Transportation-Non-Auto	— CONFIDENTIAL —	—	-35.2%	-17.9%
Total All Accounts	168,112	5.3%	1.6%	2.4%
County & State Pool Allocation	24,552	11.1%	7.2%	10.8%
Gross Receipts	192,664	6.0%	2.3%	3.5%