

Q4 2016



City of Avalon Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Avalon In Brief

Avalon's receipts from October through December were 5.0% above the fourth sales period in 2015. Actual sales activity was up 5.6% when reporting aberrations were factored out.

A strong sales quarter for casual dining restaurants was primarily responsible for the current increase.

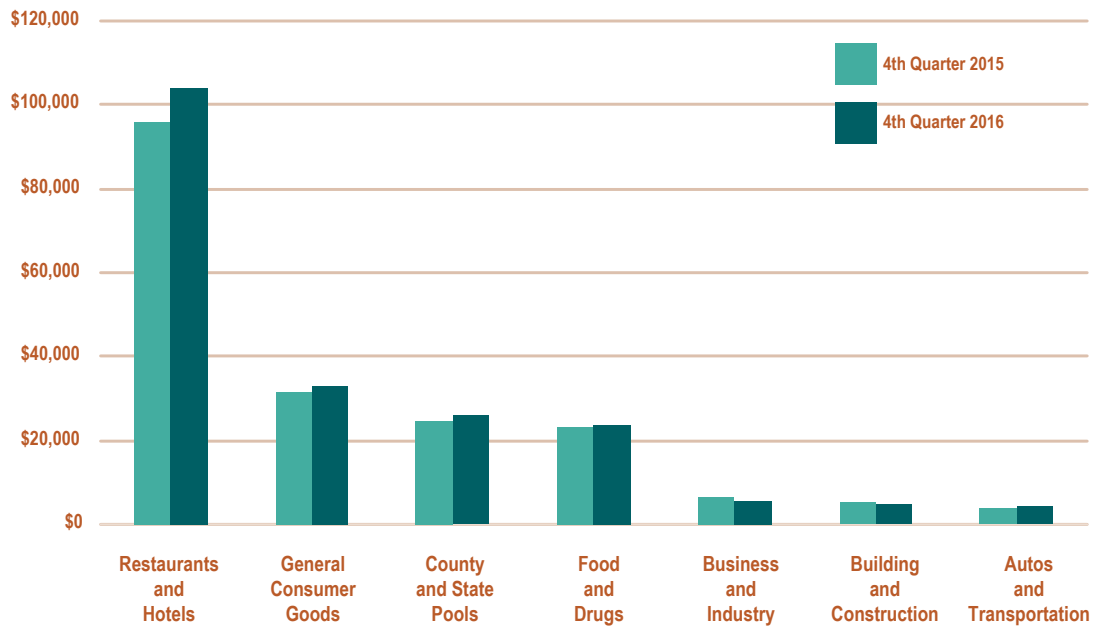
The city experienced moderate growth in general consumer goods, building/construction and quick-service restaurants.

An increase in the allocation from the county use tax pool added to the overall results.

The gains were partially offset by a decline in sales from the business and industry sector.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.2% over the comparable time period; the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abes Liquor Store	Leos Catalina Drugstore
Antonios Pizzeria & Cabaret	Lobster Trap
Bluewater Grill	Luau Larrys
Buoys & Gulls	Maggies Blue Rose
Carnival Cruise Lines	Mi Casita
Casino Ballroom	Original Jacks
Catalina By The Sea	Pancake Cottage
Catalina Yamaha Golf Cars	Perico Gallery
CC Gallagher	Ristorante Villa Portofino
Chets Hardware	Steves Steakhouse
El Galleon	The Locker Room
Island Threadz	Villa Portofino Hotel Gift Shop
	Vons

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$466,636	\$484,734
County Pool	59,981	66,783
State Pool	438	287
Gross Receipts	\$527,055	\$551,804
Less Triple Flip*	\$(131,764)	\$0
Measure C	\$336,416	\$487,961

NOTES

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

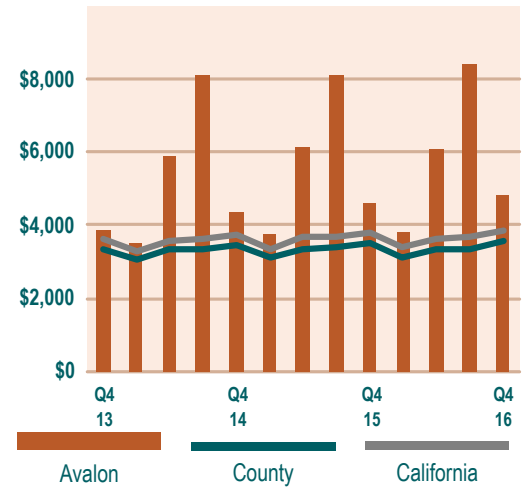
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

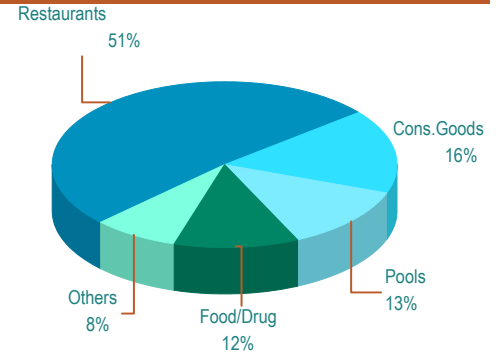
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Avalon This Quarter



AVALON TOP 15 BUSINESS TYPES

Business Type	Avalon		County	HdL State
	Q4 '16	Change	Change	Change
Art/Gift/Novelty Stores	12,502	5.1%	-6.3%	2.6%
Boats/Motorcycles	— CONFIDENTIAL —	—	9.5%	3.7%
Building Materials	— CONFIDENTIAL —	—	-1.0%	0.7%
Casual Dining	90,849	16.3%	3.2%	2.9%
Contractors	— CONFIDENTIAL —	—	1.9%	-0.1%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	3.0%	4.3%
Drug Stores	— CONFIDENTIAL —	—	12.0%	10.2%
Family Apparel	11,773	1.9%	4.1%	4.7%
Fine Dining	— CONFIDENTIAL —	—	9.9%	11.4%
Fuel/Ice Dealers	— CONFIDENTIAL —	—	8.1%	-8.0%
Grocery Stores	— CONFIDENTIAL —	—	7.1%	4.0%
Quick-Service Restaurants	4,219	24.9%	5.4%	5.7%
Specialty Stores	2,674	-7.3%	5.7%	3.6%
Transportation-Non-Auto	— CONFIDENTIAL —	—	9.8%	3.6%
Vending Machine Routes	— CONFIDENTIAL —	—	87.5%	-20.9%
Total All Accounts	176,535	5.0%	3.6%	2.4%
County & State Pool Allocation	25,764	4.9%	3.5%	6.9%
Gross Receipts	202,299	5.0%	3.6%	3.0%