

Q2 2016



City of Avalon Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Avalon In Brief

Avalon's receipts from April through June were 0.7% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 1.4%.

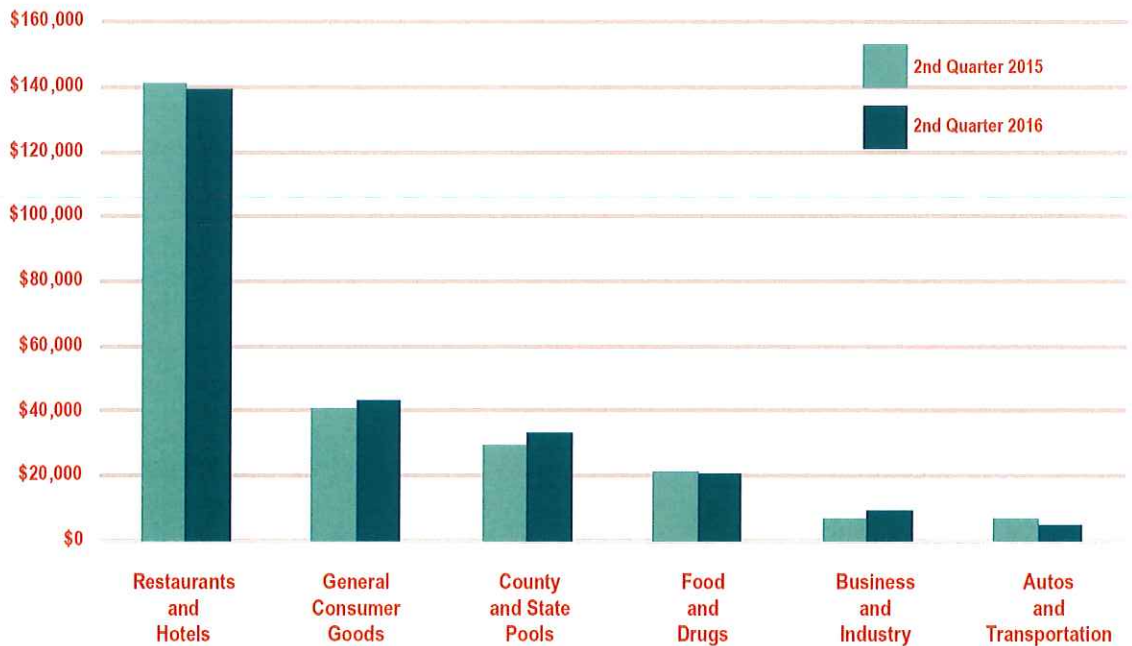
The City experienced a strong sales quarter for family apparel and the business and industry sector.

A multi-year adjustment for out-of-state use tax purchases inflated results from the county pool.

The gains were offset by a decline in sales from art/gift/novelty stores and the restaurants and hotels group.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abes Liquor Store	Island Threadz
Antonios Pizzeria & Cabaret	Leos Catalina Drugstore
Bluewater Grill	Lobster Trap
Buoys & Gulls	Maggies Blue Rose
Carnival Cruise Lines	Mi Casita
Casino Ballroom	Original Jacks
Casual Lifestyles	Pancake Cottage
Catalina By The Sea	Perico Gallery
Catalina Cantina	Pic Nic Fry
CC Gallagher	Sherrills Marine Services
Chets Hardware	Steves Steakhouse
Coyote Joe's	Vons
El Galleon	

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$820,957	\$830,881
County Pool	104,406	113,574
State Pool	574	426
Gross Receipts	\$925,936	\$944,881
Less Triple Flip*	\$(231,484)	\$(131,764)
Measure C	\$598,388	\$633,200

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

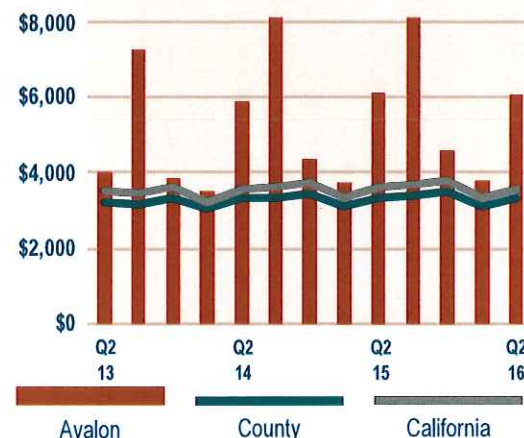
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

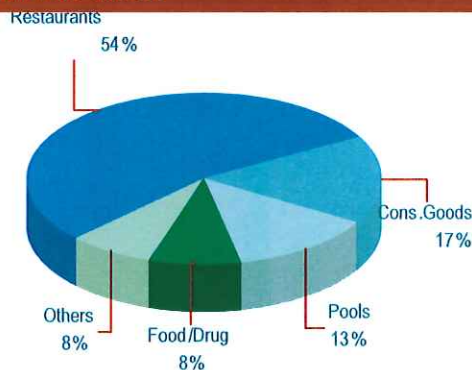
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Avalon This Quarter



AVALON TOP 15 BUSINESS TYPES

Business Type	Avalon		County	HdL State
	Q2 '16	Change	Change	Change
Art/Gift/Novelty Stores	14,297	-13.6%	3.2%	3.1%
Boats/Motorcycles	4,144	-31.2%	3.1%	6.5%
Casual Dining	120,627	0.2%	6.8%	4.6%
Drug Stores	— CONFIDENTIAL —	—	0.9%	0.5%
Family Apparel	18,101	46.4%	3.5%	4.3%
Fine Dining	— CONFIDENTIAL —	—	9.0%	11.1%
Fuel/Ice Dealers	— CONFIDENTIAL —	—	-15.1%	9.4%
Grocery Stores Liquor	— CONFIDENTIAL —	—	2.2%	1.1%
Hardware Stores	— CONFIDENTIAL —	—	2.0%	5.6%
Leisure/Entertainment	3,883	-20.2%	6.9%	5.6%
Liquor Stores	— CONFIDENTIAL —	—	4.1%	4.4%
Quick-Service Restaurants	4,319	5.1%	5.9%	6.4%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	5.4%	3.9%
Specialty Stores	4,052	1.4%	-0.4%	2.1%
Transportation-Non-Auto	— CONFIDENTIAL —	—	-14.2%	-6.4%
Total All Accounts	223,752	-1.0%	0.1%	-0.6%
County & State Pool Allocation	33,666	13.8%	15.1%	15.2%
Gross Receipts	257,418	0.7%	1.9%	1.4%