

Q3 2016



City of Avalon Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Avalon In Brief

Avalon's receipts from July through September were 4.5% above the third sales period in 2015. Excluding reporting aberrations, actual sales were up 3.0%.

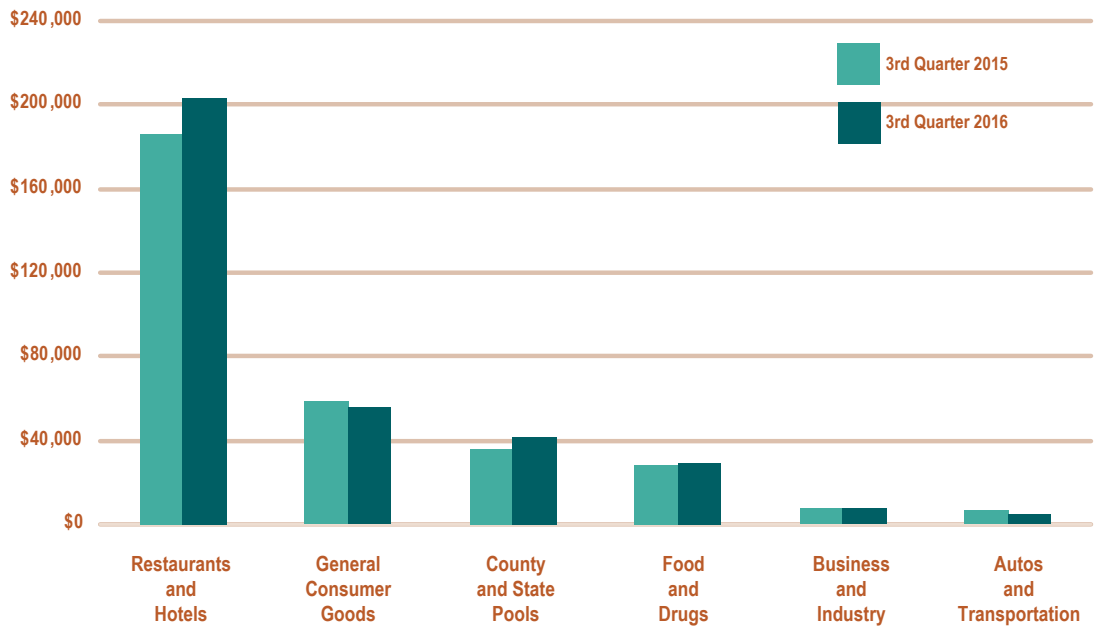
A strong sales quarter for the restaurants-hotels and food-drugs sectors were primarily responsible for the current increase.

The City's allocation from the county use tax pool also increased overall results.

The gains were partially offset by a decline in sales from art/gift/novelty stores and boats/motorcycles.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.8% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abes Liquor Store	Island Threadz
Antonios Pizzeria & Cabaret	Leos Catalina Drugstore
Avalon Fuel Dock	Lobster Trap
Bluewater Grill	Luau Larrys
Buoys & Gulls	Maggies Blue Rose
Carnival Cruise Lines	Original Jacks
Casino Ballroom	Pancake Cottage
Catalina By The Sea	Perico Gallery
Catalina Cantina	Pic Nic Fry
CC Gallagher	Ristorante Villa Portofino
Coney Island West	Steves Steakhouse
Coyote Joe's	Vons
El Galleon	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$298,524	\$308,200
County Pool	35,811	41,199
State Pool	56	106
Gross Receipts	\$334,390	\$349,505
Less Triple Flip*	\$(83,598)	\$0
Measure C	\$194,587	\$183,348

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

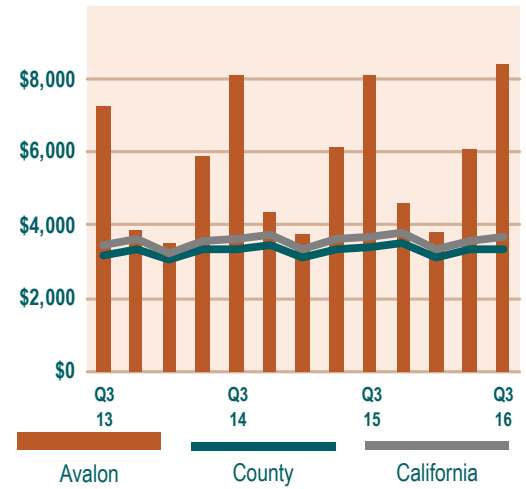
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

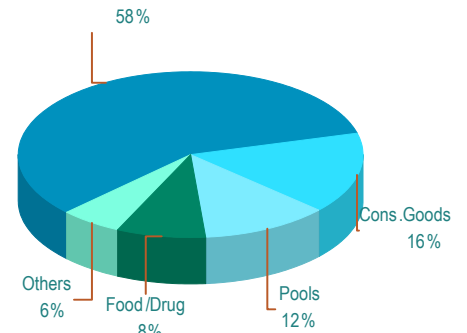
HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Avalon This Quarter



AVALON TOP 15 BUSINESS TYPES

Business Type	Avalon		County	HdL State
	Q3 '16	Change	Change	Change
Art/Gift/Novelty Stores	20,647	-14.9%	8.2%	2.9%
Boats/Motorcycles	3,689	-30.4%	-2.0%	3.7%
Casual Dining	175,093	9.7%	5.1%	4.5%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	2.9%	3.5%
Drug Stores	— CONFIDENTIAL —	—	-9.3%	-8.7%
Family Apparel	21,741	2.3%	6.4%	5.8%
Fine Dining	— CONFIDENTIAL —	—	11.6%	11.8%
Fuel/Ice Dealers	— CONFIDENTIAL —	—	-2.4%	5.0%
Grocery Stores	— CONFIDENTIAL —	—	-6.7%	-2.1%
Hardware Stores	— CONFIDENTIAL —	—	-1.3%	1.2%
Leisure/Entertainment	6,525	37.0%	-1.9%	1.7%
Quick-Service Restaurants	5,107	13.9%	10.3%	8.9%
Specialty Stores	5,200	1.4%	3.2%	2.0%
Transportation-Non-Auto	— CONFIDENTIAL —	—	23.5%	18.2%
Women's Apparel	2,470	-5.4%	2.4%	2.8%
Total All Accounts	308,200	3.2%	0.3%	0.9%
County & State Pool Allocation	41,305	15.2%	11.9%	11.5%
Gross Receipts	349,505	4.5%	1.6%	2.2%