

Q3
2017



City of Avalon Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Avalon In Brief

Avalon's receipts from July through September were 4.4% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 8.8%.

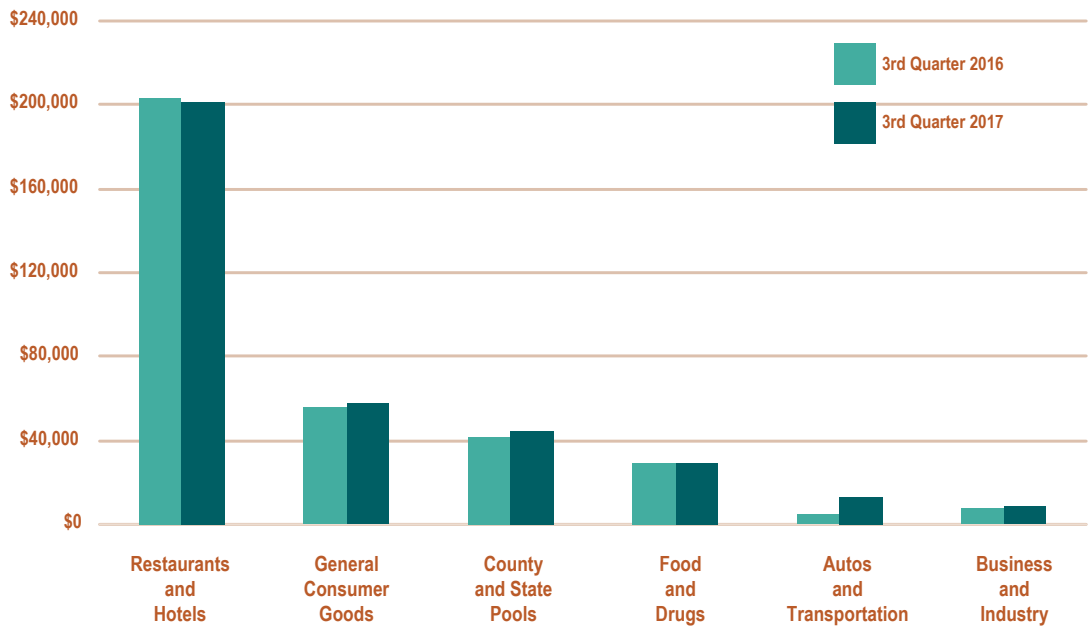
A strong sales quarter for the autos-transportation, general consumer goods and the business-industry groups were primarily responsible for the current increase.

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

The gains were offset by a onetime accounting adjustment that negatively impacted returns from casual dining restaurants.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abe's Liquor Store	Leos Catalina Drugstore
Antonios Pizzeria & Cabaret	Lobster Trap
Avalon Fuel Dock	Luau Larrys
Bluewater Grill	Maggies Blue Rose
Buoys & Gulls	Mi Casita
Carnival Cruise Lines	Original Jacks
Casino Ballroom	Pancake Cottage
Catalina by the Sea	Perico Gallery
Catalina Cantina	Ristorante Villa Portofino
CC Gallagher	Sherrills Repower Solutions
Coyote Joe's	Steve's Steakhouse
El Galleon	Vons
Island Threadz	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$308,200	\$320,440
County Pool	41,199	44,149
State Pool	106	251
Gross Receipts	\$349,505	\$364,840
Measure C	\$183,348	\$215,511

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

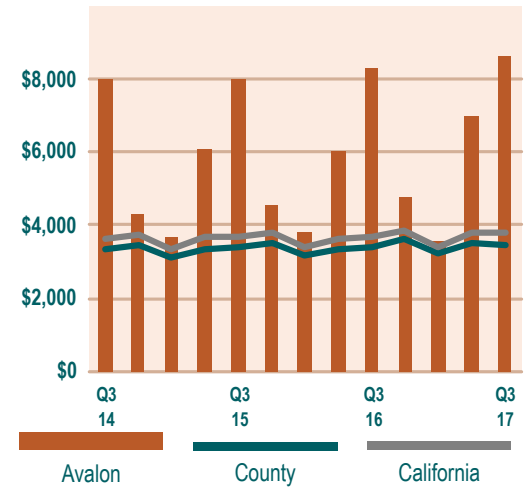
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

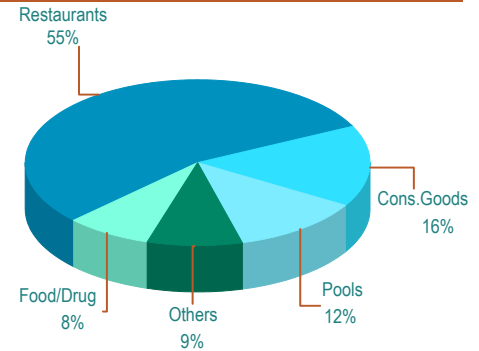
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Avalon This Quarter



AVALON TOP 15 BUSINESS TYPES

Business Type	Avalon		County	HdL State
	Q3 '17	Change	Change	Change
Art/Gift/Novelty Stores	20,445	-1.0%	-2.4%	1.3%
Boats/Motorcycles	— CONFIDENTIAL —	—	-0.1%	2.7%
Building Materials	— CONFIDENTIAL —	—	3.3%	5.6%
Casual Dining	171,383	-2.1%	3.2%	2.3%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	7.2%	7.8%
Drug Stores	— CONFIDENTIAL —	—	9.3%	7.3%
Family Apparel	21,780	0.2%	3.4%	1.7%
Fine Dining	— CONFIDENTIAL —	—	5.7%	8.9%
Fuel/Ice Dealers	— CONFIDENTIAL —	—	-2.4%	2.7%
Grocery Stores	— CONFIDENTIAL —	—	0.3%	0.6%
Leisure/Entertainment	7,464	14.4%	3.2%	1.7%
Quick-Service Restaurants	5,204	1.9%	3.7%	4.8%
Specialty Stores	6,418	23.4%	1.6%	2.2%
Transportation-Non-Auto	— CONFIDENTIAL —	—	214.0%	125.0%
Women's Apparel	3,003	21.6%	-18.3%	-12.3%
Total All Accounts	320,440	4.0%	3.2%	4.1%
County & State Pool Allocation	44,400	7.5%	6.7%	4.8%
Gross Receipts	364,840	4.4%	3.6%	4.2%