

Q1 2016



City of Avalon Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Avalon In Brief

The allocation from Avalon's January through March sales was 3.9% higher than the same quarter one year ago. Actual sales activity was up 3.3% when reporting aberrations were factored out.

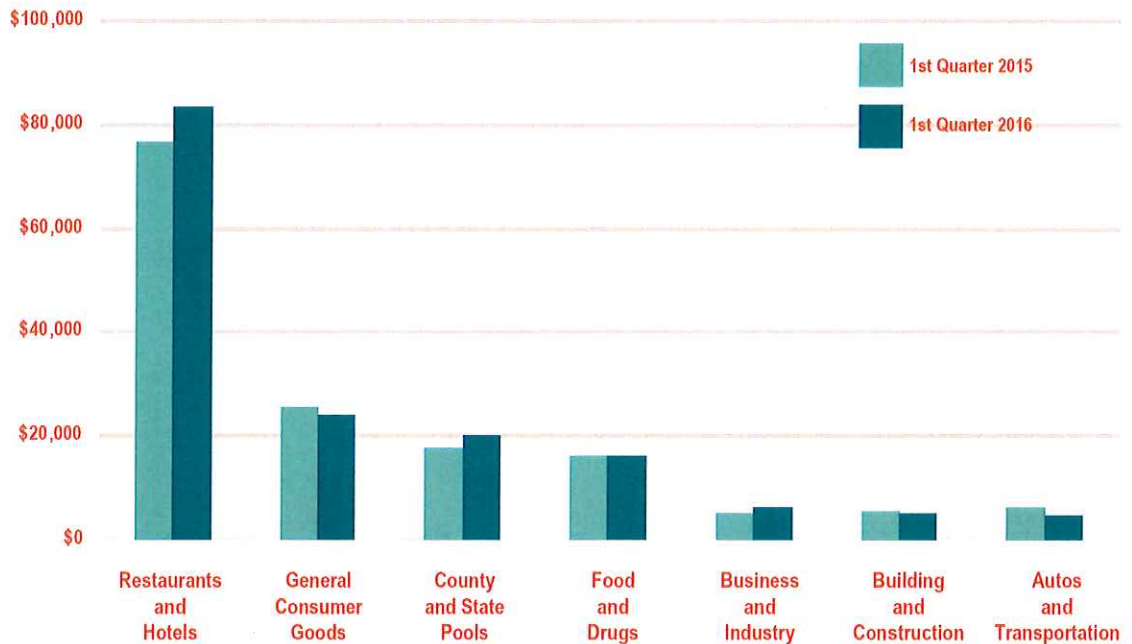
A strong sales quarter for the leisure/entertainment group was primarily responsible for the current increase.

The City also experienced improved sales in several categories of the business and industry sector.

The gains were partially offset by a decline in sales from family apparel, restaurants, autos-transportation and building-construction.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.7% 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

Abes Liquor Store	Coyote Joe's
Antonios Pizzeria & Cabaret	El Galleon
Avalon Mooring & Diving Service	Leos Catalina Drugstore
Bluewater Grill	Lobster Trap
Buoys & Gulls	Luau Larrys
Carnival Cruise Lines	Maggies Blue Rose
Casino Ballroom	Mi Casita
Casual Lifestyles	Original Jacks
Catalina By The Sea	Pancake Cottage
Catalina Cantina	Perico Gallery
CC Gallagher	Princess Cruises
Chets Hardware	Steves Steakhouse
	Vons

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$594,881	\$607,128
County Pool	75,000	79,987
State Pool	383	347
Gross Receipts	\$670,264	\$687,462
Less Triple Flip*	\$(167,566)	\$(131,764)
Measure C	\$428,115	\$497,543

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

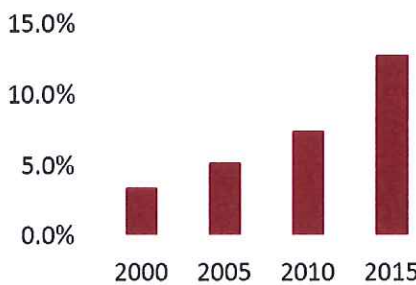
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

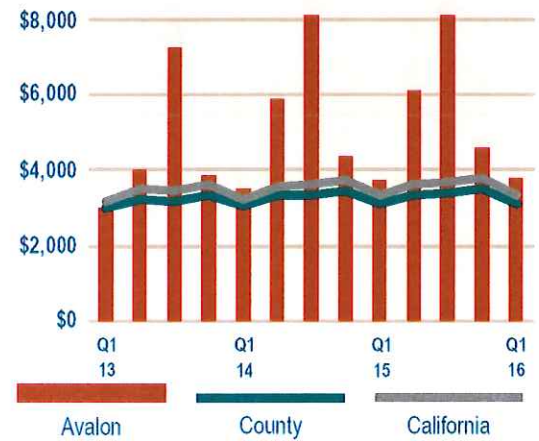
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

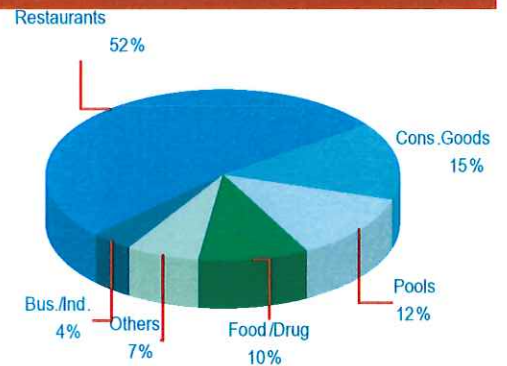
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Avalon This Quarter**



AVALON TOP 15 BUSINESS TYPES

Business Type	Avalon		County	HdL State
	Q1 '16	Change	Change	Change
Art/Gift/Novelty Stores	9,302	-1.8%	6.7%	2.2%
Boats/Motorcycles	— CONFIDENTIAL —	—	5.6%	4.4%
Casual Dining	68,393	4.8%	8.5%	6.1%
Drug Stores	— CONFIDENTIAL —	—	0.3%	0.0%
Family Apparel	8,878	-14.1%	2.0%	-0.7%
Fine Dining	— CONFIDENTIAL —	—	4.0%	6.1%
Grocery Stores Liquor	— CONFIDENTIAL —	—	0.8%	1.5%
Hardware Stores	— CONFIDENTIAL —	—	5.0%	2.8%
Leisure/Entertainment	7,423	254.8%	0.1%	4.9%
Liquor Stores	— CONFIDENTIAL —	—	3.9%	3.6%
Lumber/Building Materials	— CONFIDENTIAL —	—	8.1%	4.5%
Office Equipment	— CONFIDENTIAL —	—	9.2%	13.8%
Quick-Service Restaurants	2,111	-4.9%	4.9%	6.4%
Specialty Stores	1,802	-18.4%	5.8%	3.3%
Transportation-Non-Auto	— CONFIDENTIAL —	—	11.5%	13.4%
Total All Accounts	140,492	2.8%	1.7%	1.8%
County & State Pool Allocation	19,915	12.5%	11.3%	14.1%
Gross Receipts	160,408	3.9%	2.8%	3.2%