

Q3 2016



Beverly Hills Sales Tax *Update*

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

Beverly Hills In Brief

Beverly Hills' receipts from July through September were 2.6% above the third sales period in 2015. Excluding reporting aberrations, actual sales were up 1.5%.

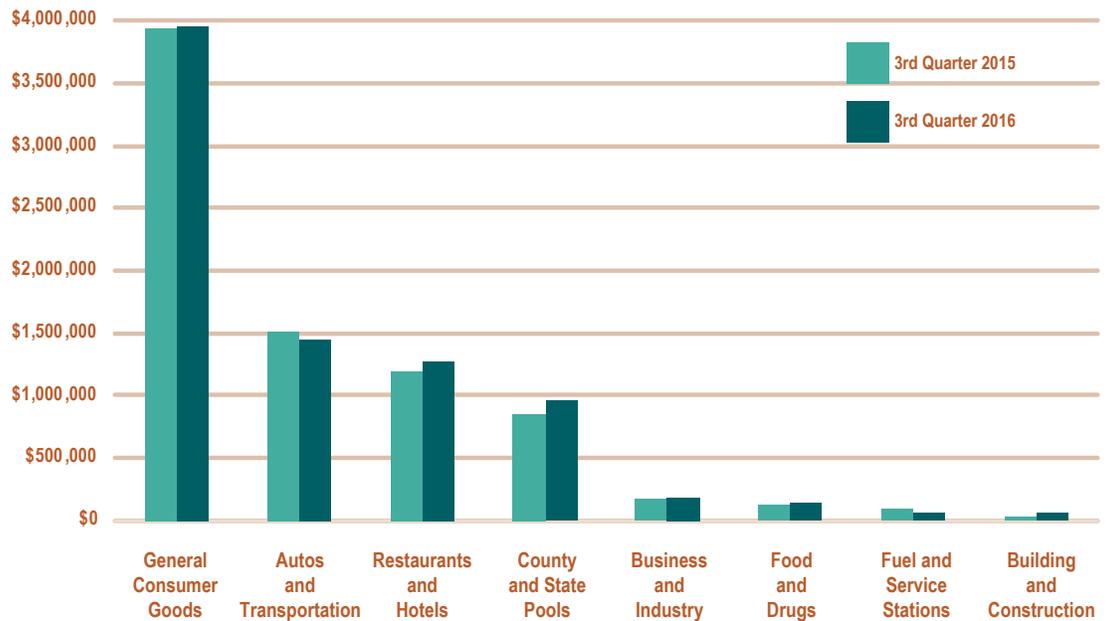
Greater variety and new dining concepts continue to enhance interest in eating out, leading to strong growth from all restaurant categories, especially hotels. Although general consumer goods experienced mixed results, solid summer performance by family apparel stores and jewelry retailers pushed group receipts higher.

The City experienced improved returns from building-construction suppliers and onetime revenues from multiple business-industrial merchants. Allocations from the countywide use tax pool also increased 13%, mostly attributed to the rise in purchases made online, further contributing to the overall positive outcome.

However, the recent closeout of a new motor vehicle dealer and softening auto sales partially offset the gains. Excess global supplies of crude oil and stable production of refined consumer fuel pushed down gas prices negatively impacting service station revenue.

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

Audi Beverly Hills	Jim Falk Lexus of Beverly Hills
Audi Leasing	Louis Vuitton
Barneys	Mastros Steakhouse
Beverly Hills Hotel	Mercedes Benz of Beverly Hills
Beverly Hilton Hotel	Neiman Marcus
Beverly Wilshire Hotel	O'Gara Coach Company
Cartier	Porsche Leasing
Chanel	Saks Fifth Ave
Daimler Trust	Tiffany & Company
Ferrari of Beverly Hills	Toyota Lease Trust
Gearys	XIV Karats
Gucci	Yves Saint Laurent
Hermes	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$13,616,807	\$14,181,199
County Pool	1,699,780	2,011,154
State Pool	6,834	4,921
Gross Receipts	\$15,323,421	\$16,197,274
Less Triple Flip*	\$(3,830,855)	\$0

*Reimbursed from county compensation fund

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.

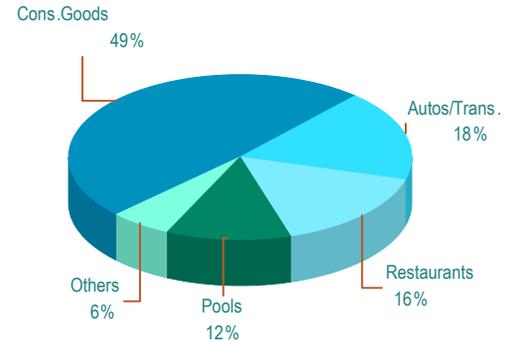
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major 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
Beverly Hills This Quarter



BEVERLY HILLS TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Beverly Hills Q3 '16*	Change	County Change	HdL State Change
Auto Lease	495.9	12.5%	13.6%	14.9%
Casual Dining	246.3	7.5%	5.0%	4.5%
Department Stores	— CONFIDENTIAL —		1.1%	-2.3%
Family Apparel	1,064.1	6.3%	6.4%	5.9%
Fine Dining	507.6	4.4%	11.9%	11.9%
Home Furnishings	128.8	-18.2%	-1.8%	-0.2%
Hotels-Liquor	369.3	7.6%	3.5%	5.5%
Jewelry Stores	484.4	12.9%	6.7%	4.1%
Men's Apparel	125.8	10.3%	7.7%	1.1%
New Motor Vehicle Dealers	885.1	-11.5%	2.9%	4.8%
Quick-Service Restaurants	112.6	6.1%	10.3%	8.9%
Service Stations	68.0	-23.2%	-18.3%	-13.8%
Shoe Stores	114.8	-21.8%	7.9%	7.2%
Specialty Stores	325.6	12.5%	3.3%	2.1%
Women's Apparel	407.4	-10.9%	2.3%	2.8%
Total All Accounts	7,155.8	1.4%	0.3%	0.9%
County & State Pool Allocation	959.0	13.1%	11.9%	11.5%
Gross Receipts	8,114.8	2.6%	1.6%	2.2%