

Q2 2018



Beverly Hills Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Beverly Hills In Brief

Beverly Hills' receipts from April through June were 1.2% above the second sales period in 2017. For the second time this year, the State's software conversion resulted in unusual processing delays. Consequently, sizeable payments remain outstanding. Actual sales after adjusting for all anomalies, would have risen 3.4%.

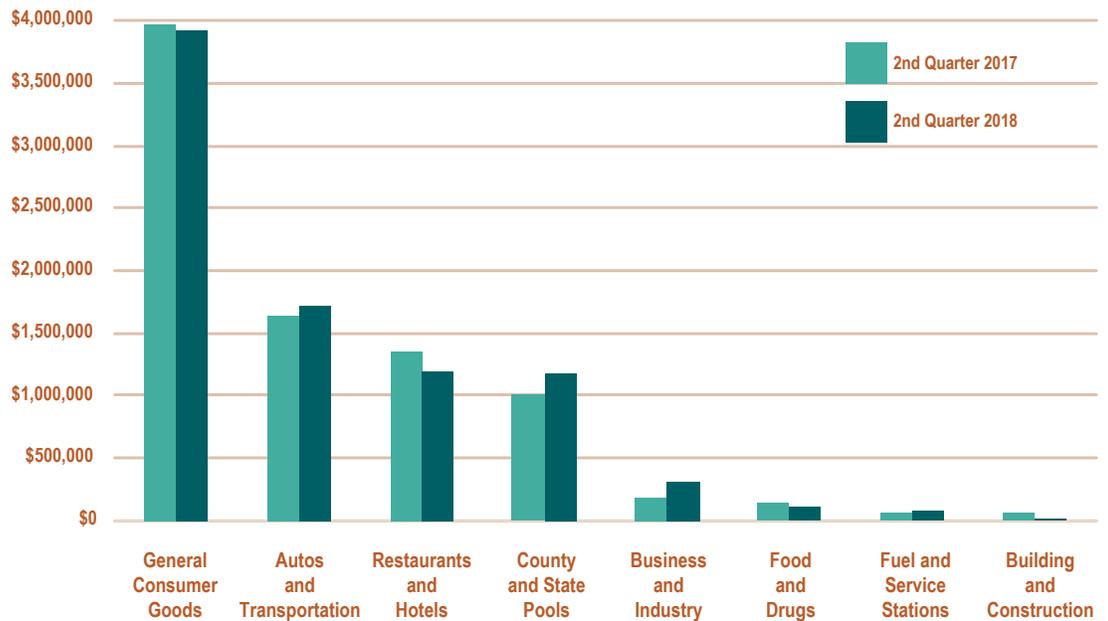
The hospitality sector was particularly impacted by missing allocations. Overall performance was comparable to last year on an adjusted basis but lagged regional trends.

Outstanding disbursements depressed receipts in numerous general retail categories including specialty stores, women's apparel, home furnishings and shoe stores. While recent openings boosted family apparel, actual results in department stores are expected to decline.

Double payments in auto leasing to restore first quarter omissions accounted for the gain in autos and transportations. A onetime sale offset missing allocations in the business and industry group.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.6% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Audi Beverly Hills	Jim Falk Lexus of Beverly Hills
Audi Leasing	Lamborghini of Beverly Hills
Barneys	Louis Vuitton
Beverly Hills Hotel	Mercedes Benz of Beverly Hills
Beverly Hilton Hotel	Neiman Marcus
Cartier	Nissan Infiniti
Chanel	Porsche Leasing
Daimler Trust	Sotheby's
Ferrari of Beverly Hills	Tom Ford
Gagosian Gallery	Toyota Lease Trust
Gearys	Waldorf Astoria Beverly Hills
Gucci	XIV Karats
Hermes	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$29,341,787	\$29,057,615
County Pool	4,078,594	4,206,339
State Pool	16,324	16,218
Gross Receipts	\$33,436,706	\$33,280,171

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

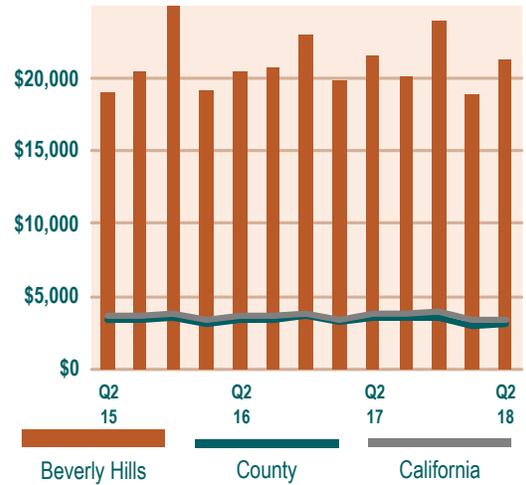
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

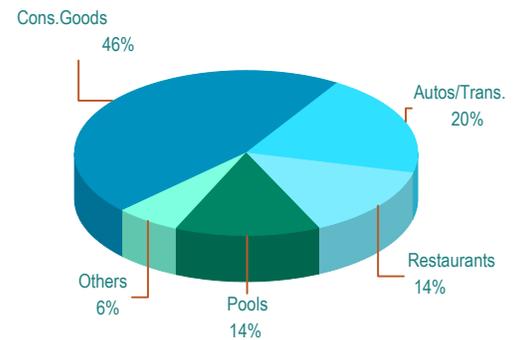
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

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	County	HdL State	
	Q2 '18*	Change	Change	Change
Art/Gift/Novelty Stores	—	CONFIDENTIAL	-9.4%	-11.3%
Auctioneers	—	CONFIDENTIAL	208.7%	104.8%
Auto Lease	873.2	62.2%	61.0%	60.9%
Casual Dining	198.1	-7.5%	-11.3%	-12.6%
Department Stores	1,109.3	-0.4%	13.4%	12.7%
Family Apparel	1,051.8	13.3%	-27.3%	-27.2%
Fine Dining	453.5	-16.1%	-3.5%	-3.7%
Home Furnishings	98.1	-22.9%	-28.8%	-21.7%
Hotels-Liquor	417.7	-10.6%	3.3%	-6.4%
Jewelry Stores	487.1	-6.9%	-15.8%	-18.2%
Men's Apparel	108.8	2.2%	-11.5%	-19.9%
New Motor Vehicle Dealers	783.3	-24.2%	-5.1%	-1.9%
Quick-Service Restaurants	88.7	-13.9%	-5.9%	-5.8%
Specialty Stores	395.8	-7.8%	-8.9%	-4.6%
Women's Apparel	384.6	-6.1%	-13.9%	-12.8%
Total All Accounts	7,373.6	-0.8%	-11.9%	-12.2%
County & State Pool Allocation	1,175.6	16.2%	3.2%	5.5%
Gross Receipts	8,549.2	1.2%	-10.1%	-10.1%