Q3 2017

Beverly Hills Sales Tax *Update*

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

Beverly Hills In Brief

Beverly Hills' receipts from July through September were 2.8% below the third sales period in 2016.

A payment deviation in the current quarter from a jewelry store was largely responsible for the overall drop.

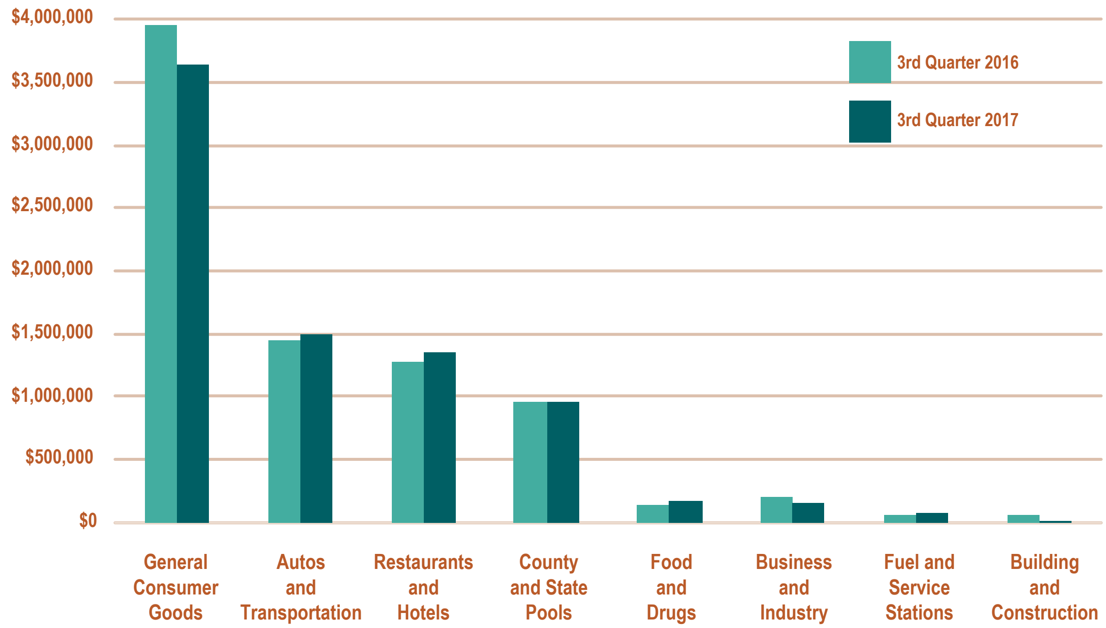
However, multiple general consumer merchants including men's/women's apparel, specialty and shoe stores also experienced a decline in sales compared to the prior year. One-time activity in the comparison period and vendor close-outs further hurt building-construction and business-industry.

While purchases of new vehicles has softened, increased leasing activity by high-end dealers helped push autos-transportation higher, partially offsetting the losses.

The recent addition of a hotel serving food-liquor boosted restaurant returns.

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

- Audi Beverly Hills
- Barneys
- Beverly Hills Hotel
- Beverly Hilton Hotel
- Beverly Wilshire Hotel
- Chanel
- Daimler Trust
- Ferrari Financial Services
- Ferrari of Beverly Hills
- Gearys
- Gucci
- Hermes
- Jim Falk Lexus of Beverly Hills
- Louis Vuitton
- Mastros Steakhouse
- Mclaren Beverly Hills
- Mercedes Benz of Beverly Hills
- Neiman Marcus
- Porsche Leasing
- Saks Fifth Ave
- Tiffany & Co
- Tom Ford
- Toyota Lease Trust
- Waldorf Astoria Beverly Hills
- XIV Karats

Revenue Comparison

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	$14,181,199	$14,367,758
County Pool	2,011,154	1,970,759
State Pool	4,921	1,535
Gross Receipts	**$16,197,274**	**$16,340,053**

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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.

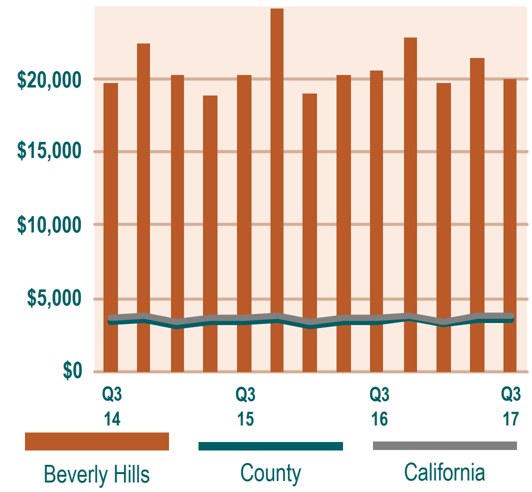
Sales Tax and Natural Disasters

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.

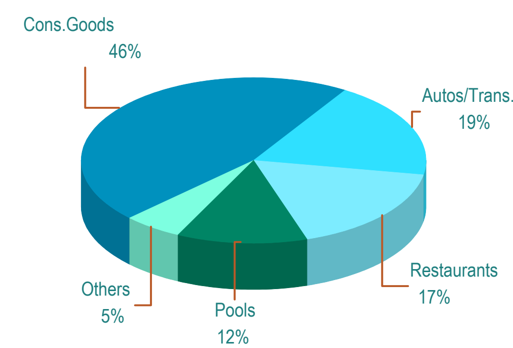
Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over 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

Beverly Hills This Quarter



Beverly Hills Top 15 Business Types

In thousands of dollars	Beverly Hills		County	HdL State
Business Type	**Q3 '17***	**Change**	**Change**	**Change**
Auto Lease	626.2	28.4%	3.7%	4.6%
Casual Dining	228.7	4.1%	3.2%	2.3%
Department Stores	— CONFIDENTIAL —		-8.5%	-7.5%
Family Apparel	923.1	8.1%	3.4%	1.7%
Fine Dining	506.0	-4.8%	5.7%	8.7%
Home Furnishings	123.7	-3.9%	3.4%	0.6%
Hotels-Liquor	472.6	28.0%	12.4%	4.8%
Jewelry Stores	369.1	-32.3%	-10.3%	-7.7%
Men's Apparel	105.7	-16.0%	0.1%	-0.7%
New Motor Vehicle Dealers	799.2	-9.7%	-4.1%	0.9%
Quick-Service Restaurants	115.5	2.6%	3.7%	4.8%
Service Stations	71.7	5.4%	6.8%	9.2%
Shoe Stores	81.4	-29.1%	-0.6%	-1.0%
Specialty Stores	441.0	-7.1%	1.6%	2.2%
Women's Apparel	335.3	-17.8%	-18.3%	-12.3%
Total All Accounts	**6,931.0**	**-3.1%**	**3.2%**	**4.1%**
County & State Pool Allocation	**960.4**	**0.1%**	**6.7%**	**4.8%**
Gross Receipts	**7,891.4**	**-2.8%**	**3.6%**	**4.2%**