

Q1 2017



Beverly Hills Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Beverly Hills In Brief

Beverly Hills' January through March receipts were 3.3% higher than 2016's first quarter sales.

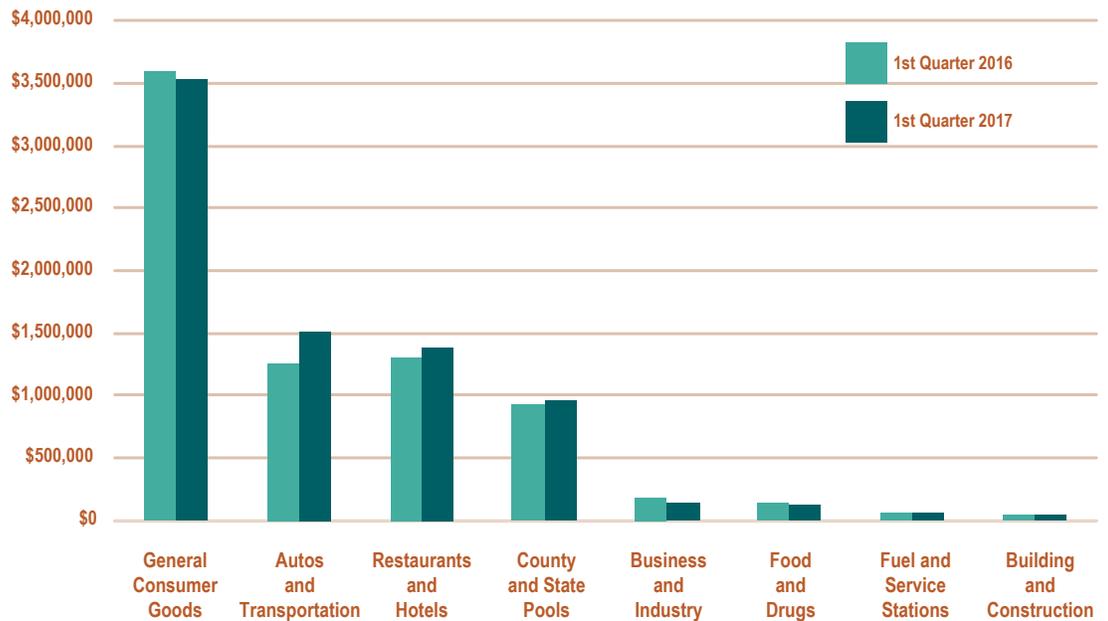
Most major industry groups declined but exceptionally strong results from new automobile dealers, auto leasing companies, and various restaurant and hotel classifications led to an overall gain.

Restaurant totals benefited from multiple new business additions; onetime reporting aberrations boosted hotels with liquor proceeds.

Declines mainly affected general consumer goods, business and industry and food and drug totals. The closure of the Nike store cut shoe store results and key categories such as jewelry stores, women's apparel and home furnishings showed sales decreases. Several segments in the business and industry group fell due to closeouts or temporary payment aberrations. Similarly, multiple food and drug segments were down.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.1% from the year-ago quarter; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$28,830,258	\$28,930,425
County Pool	3,877,985	4,117,356
State Pool	22,150	22,678
Gross Receipts	\$32,730,393	\$33,070,458
Less Triple Flip*	\$(6,297,339)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

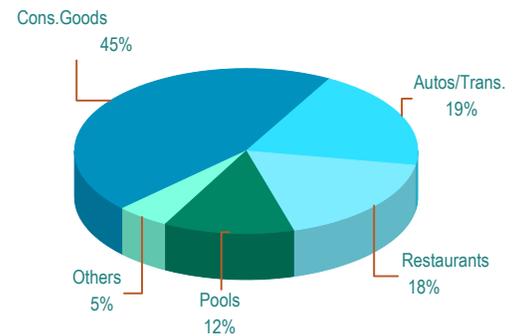
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

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 Q1 '17*	Beverly Hills Change	County Change	HdL State Change
Auto Lease	495.3	9.5%	1.6%	1.7%
Casual Dining	243.2	0.3%	0.8%	0.5%
Department Stores	— CONFIDENTIAL —	—	-4.1%	-6.5%
Family Apparel	978.1	5.1%	-0.7%	0.8%
Fine Dining	511.2	1.5%	13.9%	12.9%
Home Furnishings	117.6	-11.1%	-0.3%	-1.9%
Hotels-Liquor	480.0	13.4%	4.6%	6.3%
Jewelry Stores	394.7	-8.1%	-1.7%	-2.2%
Men's Apparel	103.2	0.6%	-1.2%	-5.7%
New Motor Vehicle Dealers	950.2	28.3%	0.9%	4.4%
Quick-Service Restaurants	108.2	-2.3%	4.9%	4.6%
Service Stations	68.7	9.0%	6.8%	10.0%
Shoe Stores	78.4	-22.3%	-1.8%	-2.8%
Specialty Stores	310.2	23.8%	2.1%	0.1%
Women's Apparel	366.1	-7.2%	-10.0%	-7.2%
Total All Accounts	6,823.7	3.3%	2.6%	1.8%
County & State Pool Allocation	967.3	3.3%	2.6%	2.9%
Gross Receipts	7,790.9	3.3%	2.6%	1.9%