

Q2 2014



West Hollywood Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

West Hollywood In Brief

Receipts for West Hollywood's April through June sales were 13.8% higher than the same quarter one year ago. Actual sales activity was up 10.6% when reporting aberrations were factored out.

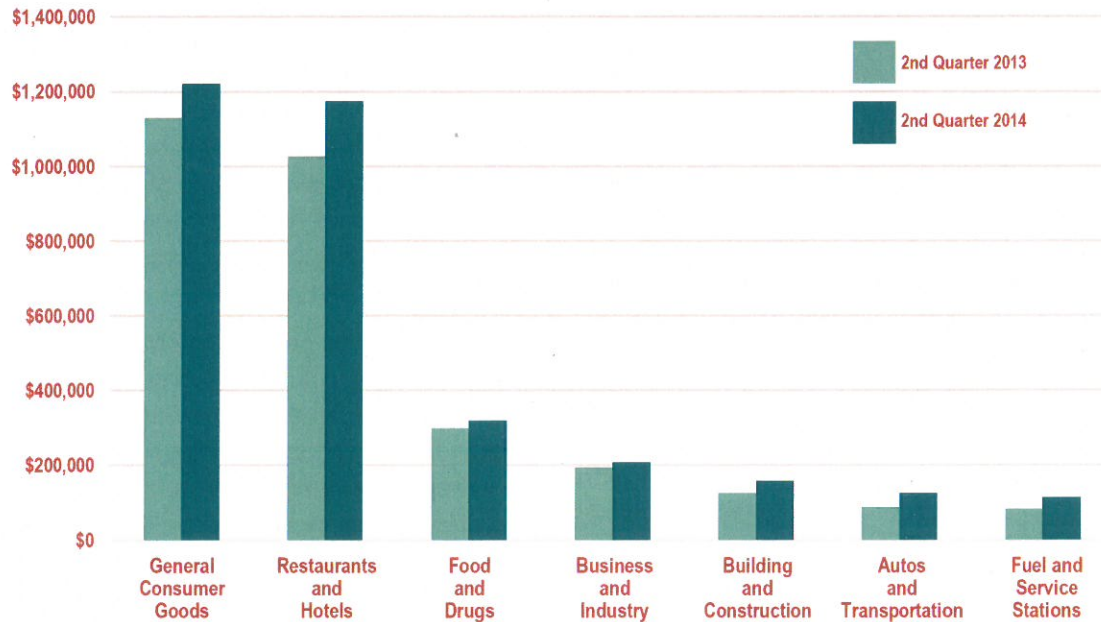
A retroactive audit recovery boosted returns in the building and construction group. Temporary payment deviations overstated gains in auto-related sectors and service stations.

Sales activity in general consumer goods outpaced regional trends. A new store added to home furnishings while onetime adjustments inflated results in electronics/appliance stores.

Recent openings in casual dining, quick-service restaurants and leisure/entertainment contributed to higher returns in restaurants and hotels.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 5.5% over the comparable time period, while the Southern California region as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

1 Oak	Pavillions
Best Buy	Poggenpohl
BOA Steakhouse	Ralphs
Cecconis	Ralphs
Christian Louboutin	Saddle Ranch Chop House
CVS Pharmacy	Shell
Diva	Soho House
Emser Tile	Steinway & Sons
Hornburg Jaguar	Target
John Varvatos	Tesoro Refining & Marketing
London West Hollywood	The Abbey
Maxfield Bleu	Whole Foods Market
Mondrian/Asian de Cuba/Sky Bar	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,937,205	\$3,311,999
County Pool	307,134	380,043
State Pool	2,019	2,509
Gross Receipts	\$3,246,358	\$3,694,552
Less Triple Flip*	\$(811,589)	\$(923,638)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of statewide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state redirected 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

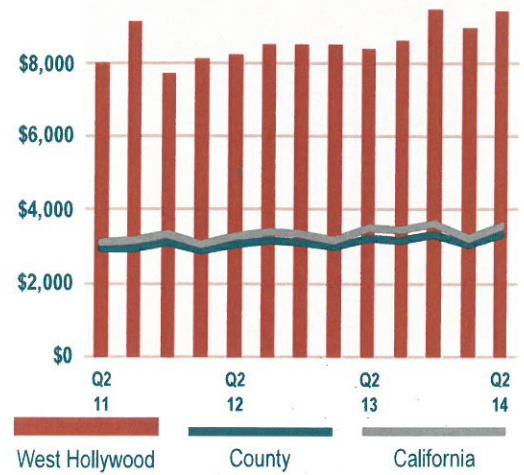
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

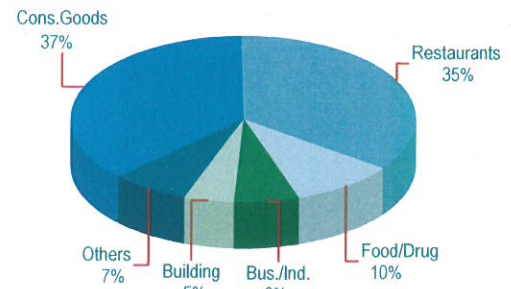
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
West Hollywood This Quarter



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	West Hollywood Q2 '14*	West Hollywood Change	County Change	HdL State Change
Casual Dining	537.4	14.2%	4.9%	3.1%
Contractors	67.2	51.7%	6.9%	14.5%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	2.9%
Electronics/Appliance Stores	130.4	42.8%	1.3%	-0.9%
Family Apparel	187.2	-4.6%	7.8%	9.7%
Fine Dining	306.6	0.3%	15.6%	16.5%
Grocery Stores Liquor	164.5	-6.9%	4.4%	5.7%
Home Furnishings	288.8	15.9%	6.7%	6.9%
Hotels-Liquor	119.2	10.7%	8.6%	7.3%
Leisure/Entertainment	96.2	199.6%	14.7%	-12.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	6.7%	7.4%
Quick-Service Restaurants	79.3	-2.7%	5.9%	6.7%
Service Stations	112.2	37.2%	5.6%	6.7%
Specialty Stores	113.1	7.7%	10.5%	8.0%
Textiles/Furnishings	126.7	5.5%	18.0%	16.7%
Total All Accounts	\$3,312.0	12.8%	3.5%	2.8%
County & State Pool Allocation	\$382.6	23.7%	13.6%	12.7%
Gross Receipts	\$3,694.6	13.8%	4.5%	3.9%