Q2 2016

City of West Hollywood
California 1984

West Hollywood Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

West Hollywood In Brief

West Hollywood's receipts from April through June were 5.9% above 2015's second quarter sales.

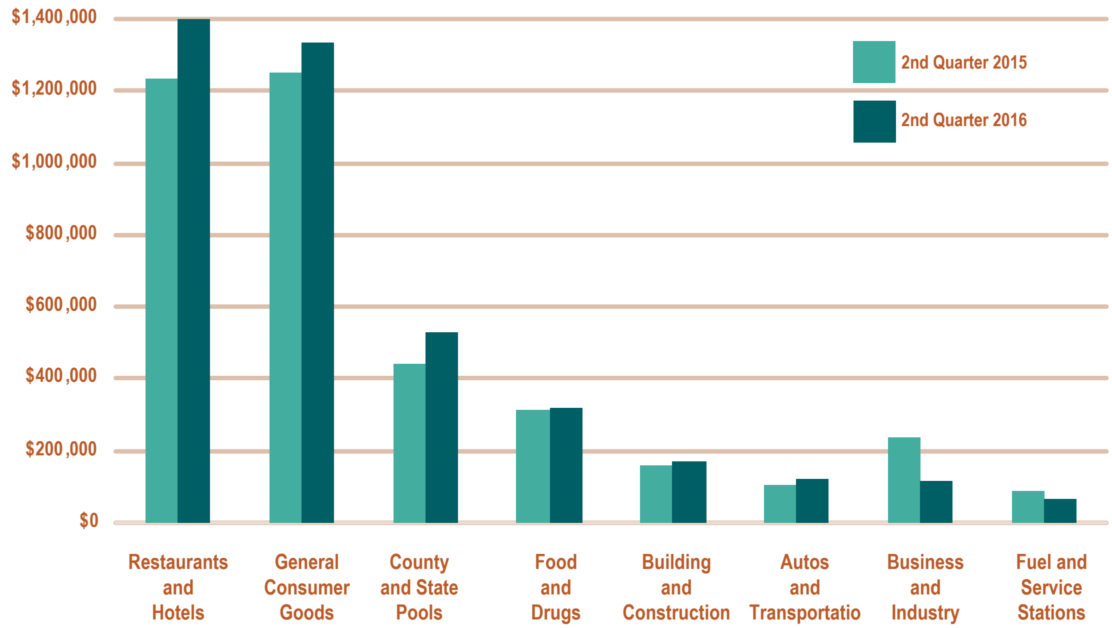
New restaurant openings and strong sales at existing eateries made the restaurant and hotel group the largest single component of the City's sales tax base.

General consumer goods benefited from unusually strong increases in the art/gift/novelty and home furnishings groups though gains in the latter classification were pared by a business shift from point of sale to use tax pool allocations and increased competition from new stores outside the City. The City also benefited from a retroactive allocation adjustment that boosted countywide use tax pool totals.

Account closeouts and negative payment adjustments caused the drop in the business and industry segment. Building and construction gains were due to onetime accounting adjustments, not sales increases.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable time period; the Southern California region was up 1.6%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

1 Oak	Janus Et Cie
Audio Video Interiors	John Varvatos
Best Buy	Matthew Marks Gallery
BOA Steakhouse	Maxfield Bleu
Bootsy Bellows	Pavillions
Boxwood at the London	Porcelanosa
Bristol Farms	Ralphs
Cecconis	Shake Shack
Christian Louboutin	Soho House
EP & LP	Target
Factory Night Club	The Abbey
Gracias Madre	Whole Foods Market
Hornburg Jaguar	

Revenue Comparison

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	$3,388,966	$3,528,921
County Pool	440,807	529,728
State Pool	2,853	1,238
Gross Receipts	**$3,832,625**	**$4,059,887**
Less Triple Flip*	$(958,156)	$0

**Reimbursed from county compensation fund*

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NOTES

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

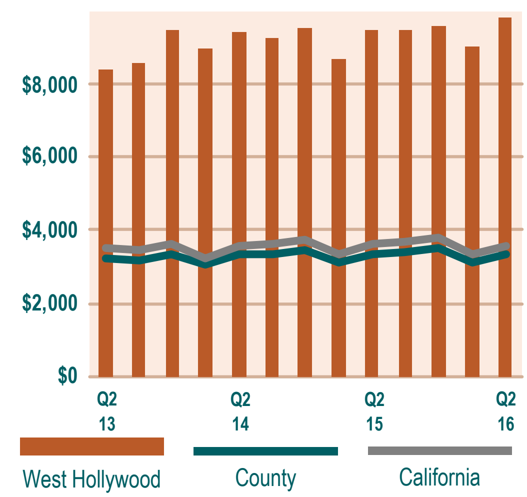
The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate: Eliminate much of the $11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption: Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

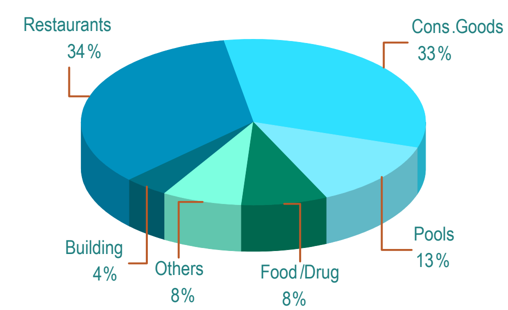
Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

Sales Per Capita



Revenue By Business Group

West Hollywood This Quarter



West Hollywood Top 15 Business Types

**In thousands of dollars* Business Type	West Hollywood Q2 '16*	West Hollywood Change	County Change	HdL State Change
Art/Gift/Novelty Stores	119.5	280.7%	3.3%	3.4%
Casual Dining	631.7	6.3%	6.4%	4.2%
Contractors	103.4	9.0%	10.1%	6.4%
Discount Dept Stores	— CONFIDENTIAL —		0.4%	0.7%
Electronics/Appliance Stores	179.1	8.6%	29.8%	22.4%
Family Apparel	191.7	-6.9%	3.6%	4.4%
Fine Dining	351.8	25.9%	10.4%	12.3%
Grocery Stores Beer/Wine	72.8	1.4%	1.6%	-0.8%
Grocery Stores Liquor	127.6	-1.7%	2.2%	1.2%
Home Furnishings	335.0	-2.8%	7.9%	1.2%
Hotels-Liquor	157.4	6.1%	10.1%	8.1%
Leisure/Entertainment	106.3	14.9%	6.9%	5.3%
Quick-Service Restaurants	79.4	-5.4%	6.2%	6.7%
Specialty Stores	104.0	-2.9%	-0.2%	2.6%
Textiles/Furnishings	120.2	3.9%	16.1%	24.5%
Total All Accounts	**3,528.9**	**4.1%**	**0.1%**	**-0.6%**
County & State Pool Allocation	**531.0**	**19.7%**	**15.1%**	**15.2%**
Gross Receipts	**4,059.9**	**5.9%**	**1.9%**	**1.4%**