

Q1 2017



West Hollywood Sales Tax *Update*

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

West Hollywood In Brief

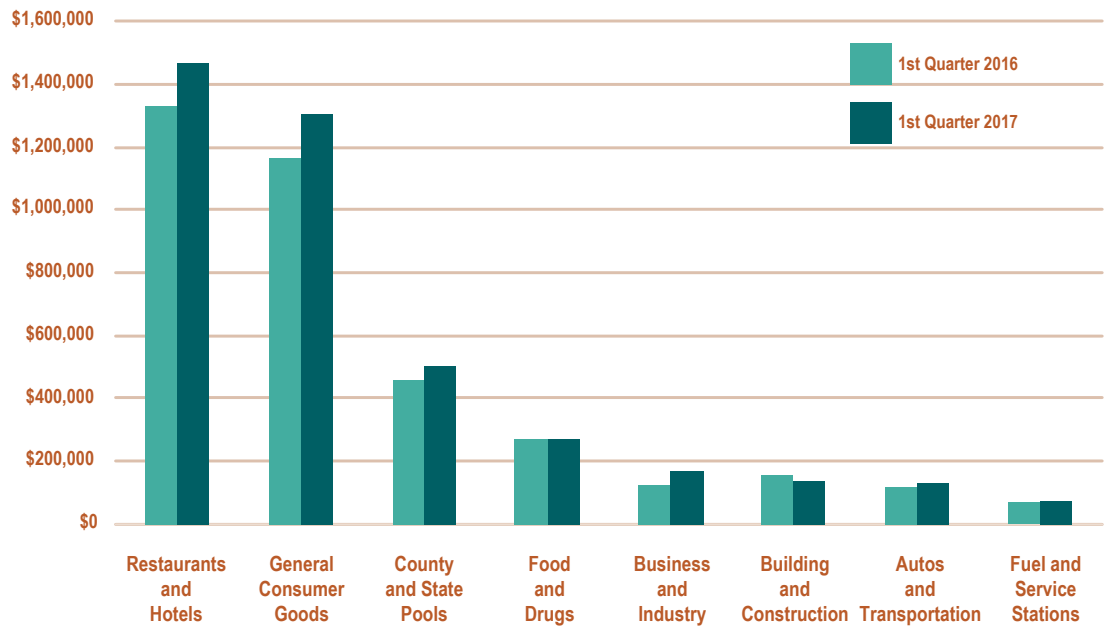
West Hollywood's receipts from January through March were 9.8% above 2016's first quarter results.

Retail sales activity in the City easily surpassed county and state-wide trends in multiple industry groups. New business openings in various restaurant classifications and strong sales amongst art gallery/gift shops and home furnishing stores boosted restaurant and hotel and general consumer goods totals respectively. The business and industry comparison also excelled due to robust sales and purchases subject to use tax.

Onetime payment aberrations caused a temporary decline in the building and construction group. Other business segments were little-changed.

By comparison, after payment aberrations were factored out, sales for all of Los Angeles County grew 2.1% over the year-earlier period while the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

1 Oak	Hornburg Jaguar
Best Buy	John Varvatos
BOA Steakhouse	Laurel Hardware
Boxwood at the London	Matthew Marks Gallery
Brilliant Earth	Maxfield Bleu
Bristol Farms	Pavillions
Catch LA	Roaming Hunger
Ceconis	Soho House
Christian Louboutin	Sunset Tower Hotel
David Hockney	Target
Delilah	The Abbey
Gelson's Markets	Whole Foods Market
Gracias Madre	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$13,483,097	\$14,283,813
County Pool	1,806,567	2,031,728
State Pool	9,225	11,197
Gross Receipts	\$15,298,889	\$16,326,738
Less Triple Flip*	\$(2,898,192)	\$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.

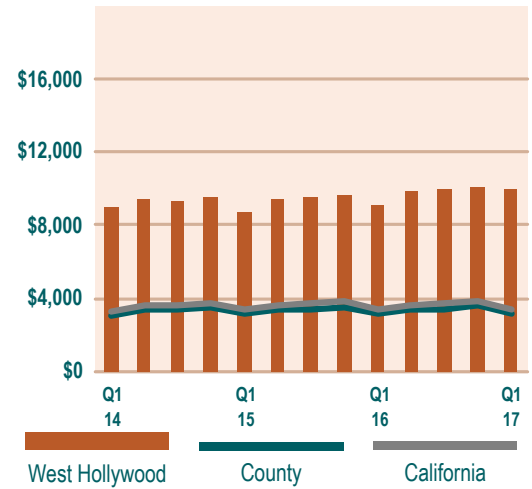
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

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.

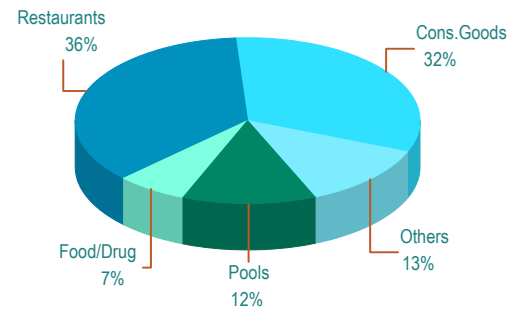
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (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
West Hollywood This Quarter



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	West Hollywood Q1 '17*	West Hollywood Change	County Change	HdL State Change
Art/Gift/Novelty Stores	132.6	212.1%	3.7%	-2.8%
Casual Dining	578.3	-3.6%	1.4%	0.8%
Contractors	81.3	-7.5%	4.4%	-3.9%
Discount Dept Stores	— CONFIDENTIAL —		2.5%	1.6%
Electronics/Appliance Stores	161.2	-5.3%	-0.8%	-0.5%
Family Apparel	221.4	12.4%	-0.6%	0.8%
Fine Dining	483.1	36.2%	13.2%	12.1%
Grocery Stores	138.8	-4.7%	1.2%	0.5%
Home Furnishings	315.4	13.8%	-0.2%	-1.8%
Hotels-Liquor	140.2	-5.2%	4.6%	6.3%
Leisure/Entertainment	139.2	29.1%	19.1%	13.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —		0.9%	4.4%
Service Stations	73.5	1.8%	6.8%	10.0%
Specialty Stores	100.0	-20.2%	3.2%	0.4%
Textiles/Furnishings	107.0	17.6%	17.4%	5.3%
Total All Accounts	3,564.4	9.8%	2.6%	1.8%
County & State Pool Allocation	505.3	9.8%	2.6%	2.9%
Gross Receipts	4,069.6	9.8%	2.6%	1.9%