

# Q3 2010



# West Hollywood Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2010)

## West Hollywood In Brief

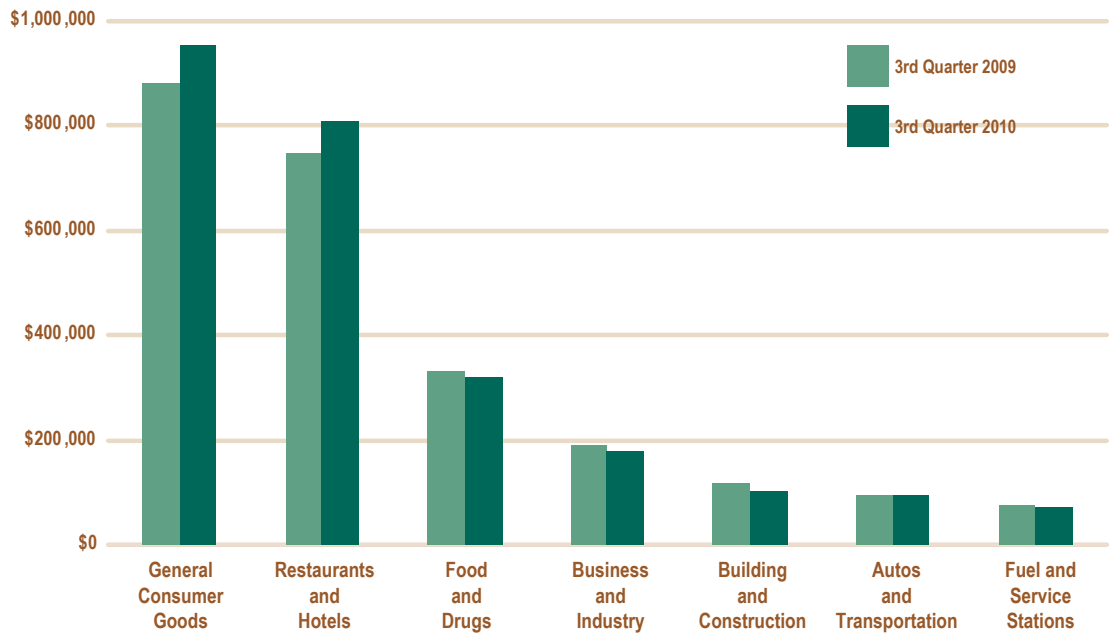
Receipts from July through September sales were 4.6% above the same period one year earlier but payment aberrations skewed the data. With anomalies excluded, actual sales were up 1.9%.

New business additions contributed to strong gains in the restaurants with liquor, restaurants no alcohol and family apparel categories; but reporting aberrations inflated home furnishings and textiles/furnishings comparisons. Results from the arts/gift/novelty classification were boosted by payment anomalies but were still exceptional with them factored out. The city's quarterly allocation from the countywide use tax pool jumped 13.2%.

Weak sales caused the drop in the hotels with liquor group. Late-arriving amounts for sales in a prior period caused the grocery stores with beer/wine drop by temporarily inflating receipts a year ago. Accounting adjustments masked a steeper decline in restaurant with beer/wine totals.

Net of onetime accounting events, all of Los Angeles County was up 3.7%; statewide sales grew 4.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS In Alphabetical Order

Abbey Food & Bar	London West Hollywood
Asia de Cuba	Madeo Restaurant
Best Buy	Maxfield Bleu
Beverages & More	Mondrian Hotel
Boa	Ralphs
Bristol Farms	Ralphs
Cecconis	Saddle Ranch Chop House
CVS Pharmacy	Target
Gelsons Market	Trader Joes
Herman Miller Workplace Resource	Vons
Hornburg Jaguar	Whole Foods Market
Katana	World Oil Marketing
Koontz Hardware	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$4,958,551	\$5,221,226
County Pool	543,008	595,555
State Pool	4,913	3,693
<b>Gross Receipts</b>	<b>\$5,506,473</b>	<b>\$5,820,473</b>
<b>Less Triple Flip*</b>	<b>\$(1,376,618)</b>	<b>\$(1,455,118)</b>

\*Reimbursed from county compensation fund

**Statewide Overview**

California's allocation of local Bradley-Burns revenues for sales occurring July through September were 4.7% higher than the third quarter of 2009 after accounting anomalies were factored out. Higher fuel prices and usage, business investment in new equipment and technology, and solid gains in some categories of consumer goods and restaurants all contributed to the increase. Receipts from food, drugs, and construction materials were slightly lower than last year's comparison quarter as was the allocation from autos which spiked during the "cash for clunkers" program of a year ago.

The Silicon Valley continues to lead the recovery with gains 2½ times higher than for California as a whole. Coastal region sales are generally outperforming the inland areas.

**The Sales Tax Picture at Mid-Year**

The first two quarters of 2010-11 produced statewide receipts that are 4.2% higher than the first two quarters of 2009-10 after accounting aberrations are excluded. However, the year-to-date total is still 17.2% lower than the totals for the first two quarters of pre-recession 2006-07.

Generally, prognostications for the remaining fiscal year are more upbeat than those of a few months ago and the fears of a double-dip recession have diminished. Stocks are at a two year high, preliminary data on fourth quarter business and consumer spending is better than anticipated and the recent tax-cuts and extension of unemployment benefits is hoped to boost the nation's economy by \$850 billion. In California, the growth in sales tax will be geographically uneven and tempered by high unemployment, mortgage foreclosures and fallout from the state's budget deficit.

Various segments of the sales tax base are projected as follows:

*Autos/Transportation-* Industry sales reports were inflated by non-taxable

fleet purchases earlier in the year but pent-up demand and easing credit are now producing solid consumer demand and new optimism. Positive gains are expected over the next few quarters but not at pre-recession growth rates.

*Building/Construction-* Unsold inventories, new tax exemptions for energy projects and modest public spending translate into flat or minimal tax growth for another year or more.

*Business/Industry-* Leaner and flush with cash, businesses are investing heavily in new technology, software and equipment. Sales tax gains will be agency and industry specific and primarily from suppliers of technology and companies serving the health, mining, petroleum and food industries.

*Food/Drugs-* some price increases but competition will keep tax revenues from this segment generally flat.

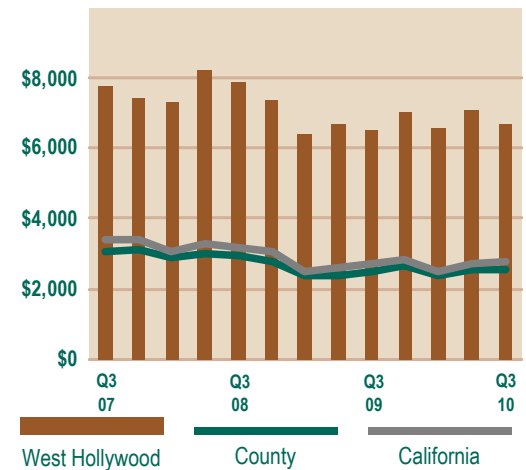
*Fuel/Service Stations* – Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

*Consumer Goods-* Stock market gains

are reviving luxury buyers while "frugality fatigue" is setting in for the rest of us. Holiday spending was stronger than expected for apparel, sporting goods, small electronics, and home furnishings. Analysts are skeptical about sustainability but generally project statewide growth of 3.0% to 3 ½%.

*Restaurants/Hotels-* Tourism and business travel is on the increase but price competition is expected to keep gains in sales tax revenue relatively modest.

**SALES PER CAPITA**



**WEST HOLLYWOOD TOP 15 BUSINESS TYPES**

Business Type	West Hollywood		County	HdL State
	Q3 '10*	Change	Change	Change
Restaurants Liquor	\$559.5	10.8%	4.3%	5.3%
Discount Dept Stores	— CONFIDENTIAL —	—	3.9%	5.6%
Electronics/Appliance Stores	165.0	3.7%	11.3%	18.3%
Home Furnishings	161.3	13.2%	4.5%	1.3%
Grocery Stores Liquor	158.8	3.9%	6.1%	1.2%
Textiles/Furnishings	107.5	28.8%	4.8%	8.2%
Family Apparel	106.2	15.8%	8.9%	7.8%
Restaurants No Alcohol	100.2	13.7%	7.9%	5.1%
Specialty Stores	95.3	2.7%	-3.3%	-2.2%
Hotels-Liquor	74.5	-3.9%	9.3%	6.2%
Service Stations	73.8	-1.6%	10.2%	12.1%
Restaurants Beer And Wine	71.8	-2.9%	1.4%	-0.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-5.0%	-1.7%
Grocery Stores Beer/Wine	49.7	-10.2%	-2.2%	1.5%
Art/Gift/Novelty Stores	45.3	98.8%	7.3%	3.6%
<b>Total All Accounts</b>	<b>\$2,535.9</b>	<b>3.6%</b>	<b>2.5%</b>	<b>2.7%</b>
<b>County &amp; State Pool Allocation</b>	<b>298.2</b>	<b>13.1%</b>		
<b>Gross Receipts</b>	<b>\$2,834.1</b>	<b>4.6%</b>		<i>*In thousands</i>