

Q4 2015



City of Carson Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Carson In Brief

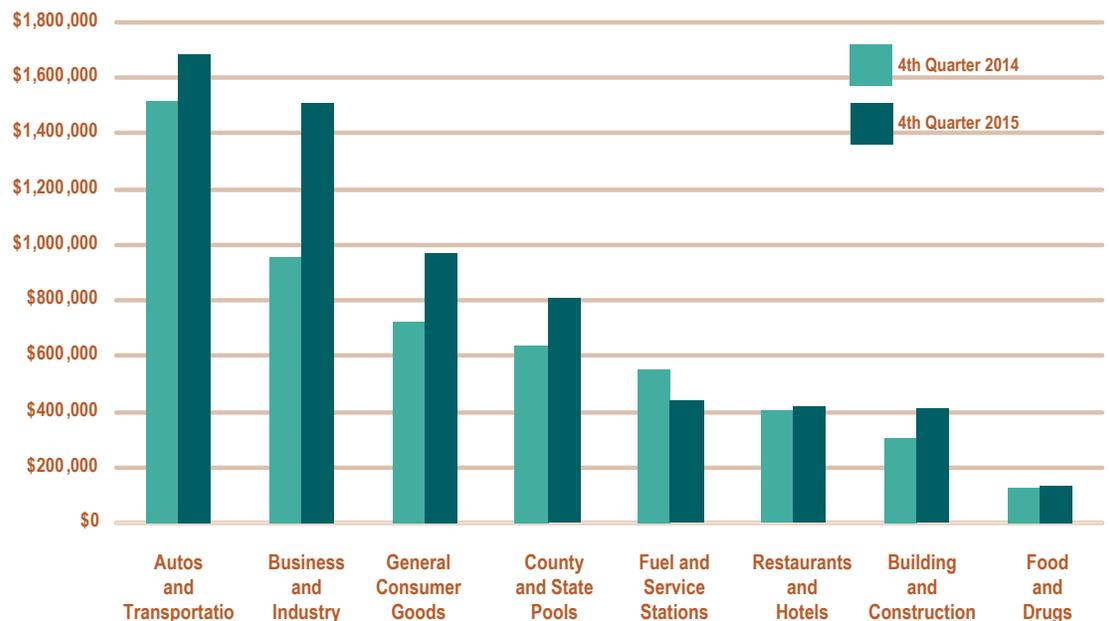
Carson's allocation of sales and use tax from its October through December sales was 21.8% higher than the holiday quarter of 2014. However, a series of reporting anomalies skewed comparisons within the general consumer goods and business-industrial groups. Actual sales activity was down 1.9% after these and other aberrations are factored out.

Overall, the City enjoyed a solid quarter for auto sales/ leases and most categories of building and construction supplies. A onetime asset sale created a temporarily jump in receipts from the drugs-chemicals category and a shift from brick and mortar stores to holiday shopping online for merchandise shipped from out-of-state boosted revenues from the countywide use tax allocation pool.

The gains were offset by the impact of declining fuel prices and the recent relocation of a major sales tax generator.

Adjusted for aberrations, sales and use tax receipts for all of Los Angeles County grew 1.4% over the comparable time period while the Southern California region as a whole, was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Buswest	Kmart
Car Pros Kia	Lakeshore Learning Materials
Carson Honda	McJunkin Red Man
Carson Nissan	Ondeo Nalco Company
Carson Toyota	Perfect Fit
Ferguson Plumbing	Rhodia
HD Supply Repair & Remodel	Sears
Herbalife	Sole Fitness
Hertz Equipment Rental	Southbay Truck Center/Buswest
Home Depot	Target
Hyundai Lease Titling Trust	United Oil
Ikea	Win Hyundai Carson
JC Penney	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$14,337,352	\$16,757,029
County Pool	1,766,748	2,199,583
State Pool	12,094	18,423
Gross Receipts	\$16,116,194	\$18,975,035
Less Triple Flip*	\$(4,029,049)	\$(4,743,759)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

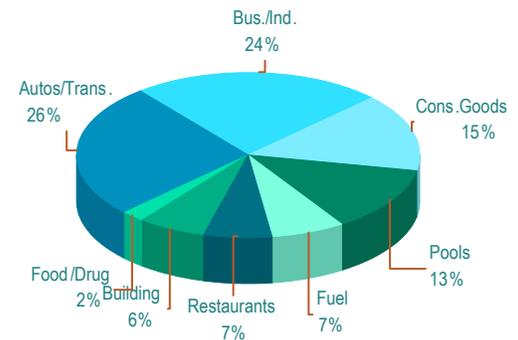
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Carson This Quarter



CARSON TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Carson		County	HdL State
	Q4 '15*	Change	Change	Change
Auto Lease	151.8	40.3%	31.6%	42.7%
Casual Dining	109.3	0.9%	9.2%	6.1%
Department Stores	— CONFIDENTIAL —	—	-1.1%	-0.5%
Discount Dept Stores	— CONFIDENTIAL —	—	3.8%	3.0%
Drugs/Chemicals	764.2	147.8%	8.2%	6.0%
Heavy Industrial	123.2	7.4%	-4.8%	-5.7%
Home Furnishings	— CONFIDENTIAL —	—	-2.0%	2.0%
Light Industrial/Printers	— CONFIDENTIAL —	—	14.7%	5.3%
Lumber/Building Materials	229.6	14.2%	10.8%	10.1%
New Motor Vehicle Dealers	1,323.4	11.5%	7.6%	7.9%
Quick-Service Restaurants	236.8	9.8%	6.1%	7.9%
Repair Shop/Equip. Rentals	106.7	12.6%	-5.7%	2.4%
Service Stations	341.4	-20.6%	-9.9%	-10.5%
Specialty Stores	122.3	17.6%	7.5%	4.4%
Trailers/Auto Parts	85.5	-12.6%	-2.5%	-11.7%
Total All Accounts	5,542.6	21.0%	1.6%	2.4%
County & State Pool Allocation	809.5	27.6%	7.2%	10.8%
Gross Receipts	6,352.1	21.8%	2.3%	3.5%