

Q3 2015



Newport Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

Newport Beach In Brief

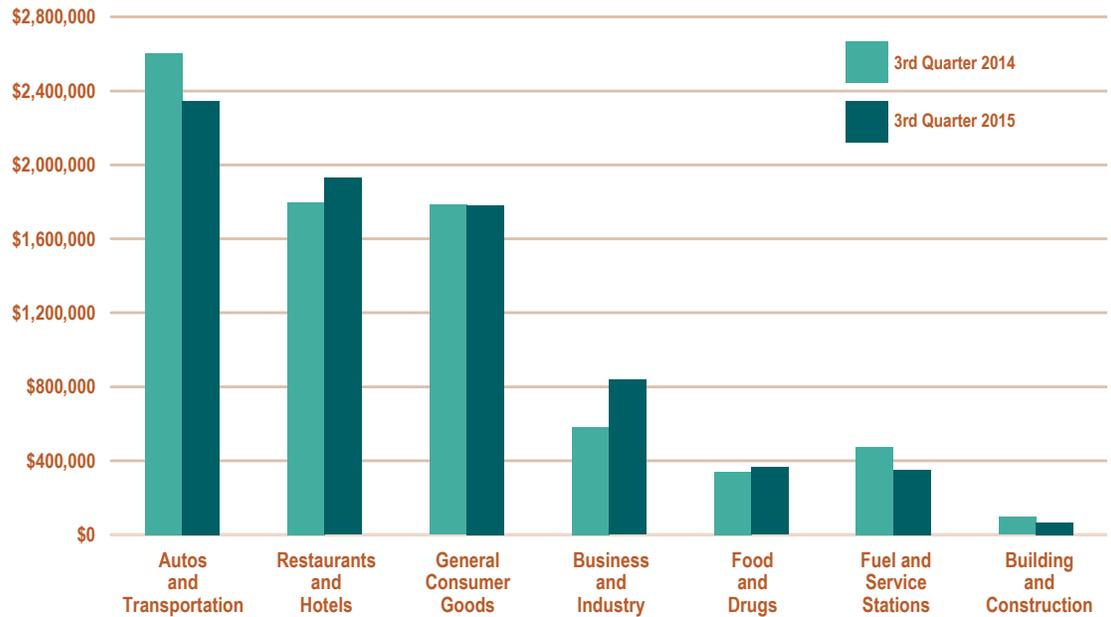
Newport Beach's receipts from July through September sales were flat compared to the same quarter one year ago. Actual sales activity rose 2.1% after accounting anomalies were factored out.

An adjustment that cut current quarter receipts, combined with a year-ago double payment from a new car dealer, depressed results from the automotive group. Group sales were actually up 5.4% on gains from auto leases and yacht sales. Reporting anomalies depressed comparisons for the building and construction sector and overstated the impact of lower prices on the fuel and service station group.

Accounting events inflated gains from fine dining, grocery stores and some categories within the business and industry group, including medical-biotech.

Adjusted for aberrations, taxable sales for all of Orange County grew 3.1% over the same time period; Southern California regional totals were up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$7,669,536	\$7,692,664
County Pool	898,375	874,883
State Pool	5,239	1,424
Gross Receipts	\$8,573,150	\$8,568,971
Less Triple Flip*	\$(2,143,287)	\$(2,142,243)

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

Online Retail Sales Continue to Outpace Brick & Mortar Stores

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

New Restrictions on Tax Sharing Agreements

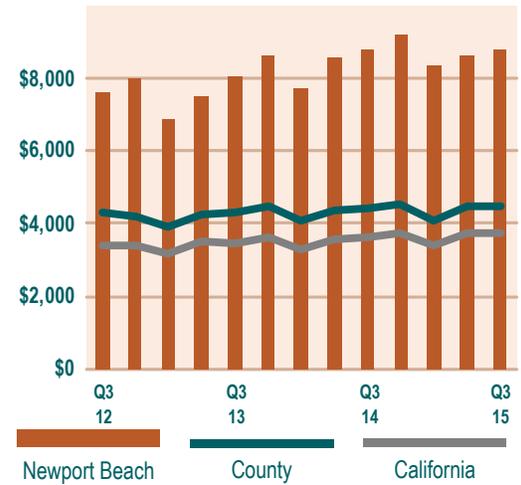
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

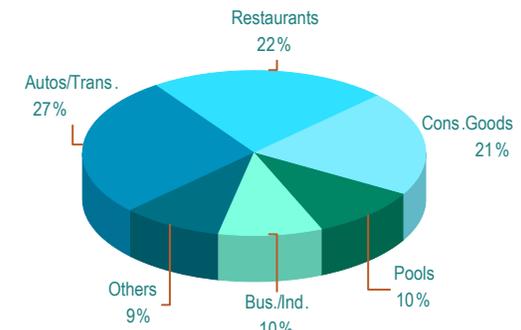
The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Newport Beach This Quarter



NEWPORT BEACH TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Newport Beach Q3 '15*	Newport Beach Change	County Change	HdL State Change
Auto Lease	542.5	7.6%	17.2%	25.6%
Boats/Motorcycles	227.8	43.1%	18.3%	11.7%
Casual Dining	749.0	4.9%	5.3%	5.1%
Department Stores	594.0	0.1%	-1.2%	-0.6%
Family Apparel	209.4	-0.2%	-0.6%	2.4%
Fine Dining	419.0	10.0%	19.8%	12.8%
Grocery Stores Liquor	203.8	11.7%	5.4%	3.8%
Home Furnishings	179.8	0.2%	9.4%	5.0%
Hotels-Liquor	345.6	9.2%	9.8%	3.4%
Medical/Biotech	300.7	181.8%	0.7%	-0.6%
New Motor Vehicle Dealers	1,685.0	-2.2%	4.7%	8.2%
Quick-Service Restaurants	156.5	9.5%	6.7%	6.8%
Service Stations	346.4	-26.2%	-10.5%	-11.8%
Specialty Stores	141.5	-1.2%	3.9%	5.9%
Women's Apparel	212.1	0.0%	4.2%	-1.0%
Total All Accounts	7,692.7	0.3%	2.6%	2.3%
County & State Pool Allocation	876.3	-3.0%	-0.8%	3.5%
Gross Receipts	8,569.0	0.0%	2.2%	2.4%