

Q1 2017



Garden Grove Sales Tax Update

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

Garden Grove In Brief

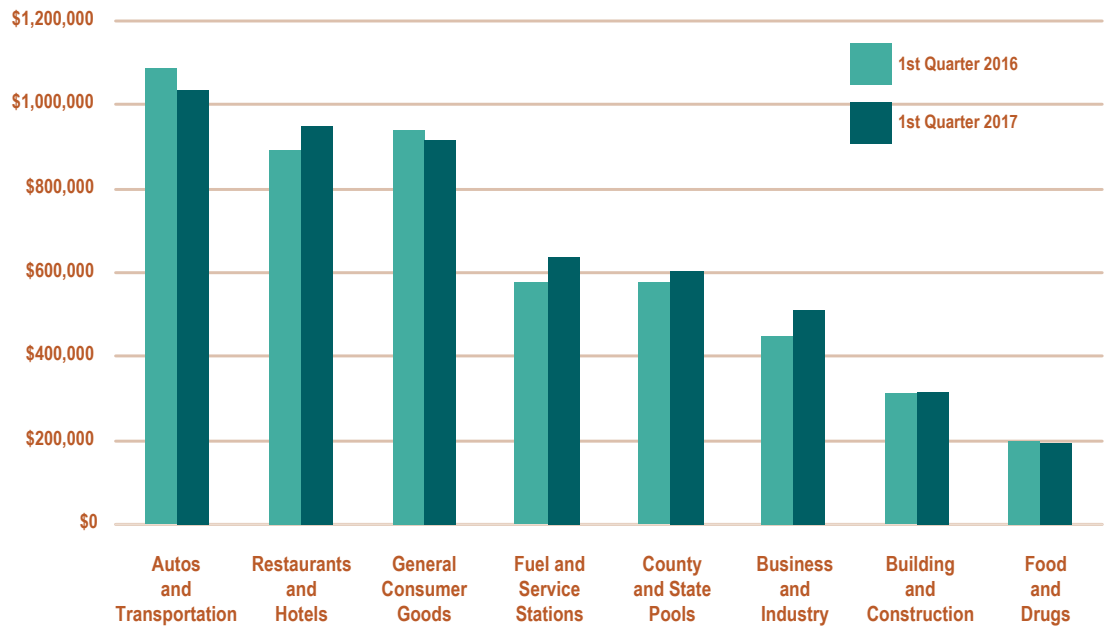
Garden Grove's receipts from January through March sales were 2.4% higher than the same quarter one year earlier.

New outlets helped both quick-service and fast casual eateries and the business and industry group, although business sector gains were inflated by adjustments that affected multiple categories. Postings were up from casual dining and the fuel and service station group. The larger allocation from the county use tax pool was also a factor for the overall increase in gross receipts.

Net of aberrations, proceeds from new car dealers declined 7.3%. Accounting anomalies depressed results from light industrial/printers, auto supply and specialty stores. Business closeouts pared postings from plumbing/electrical supplies and the general consumer goods group.

Adjusted for onetime accounting events, taxable sales for all of Orange County increased 2.3% over the same period; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	My Goods Market
California Fuels & Lubricants	One Source Distributors
Chevron	Quantum Auto Sales
Costco	Ross
Garden Grove Hyundai	Shell
Garden Grove Kia	Simpson Chevrolet
Great Wolf Lodge	Target
Home Depot	Terrazzo & Marble Supply
Hyatt Regency	Toyota Place
Imperio Nissan of Garden Grove	Volkswagen of Garden Grove
Marshalls	Vons
McDonalds	Walmart Neighborhood Market
MSC Industrial Supply	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$18,714,146	\$18,800,580
County Pool	2,350,054	2,973,822
State Pool	12,623	14,609
Gross Receipts	\$21,076,823	\$21,789,011
Less Triple Flip*	\$(4,009,573)	\$0

*Reimbursed from county compensation fund

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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.

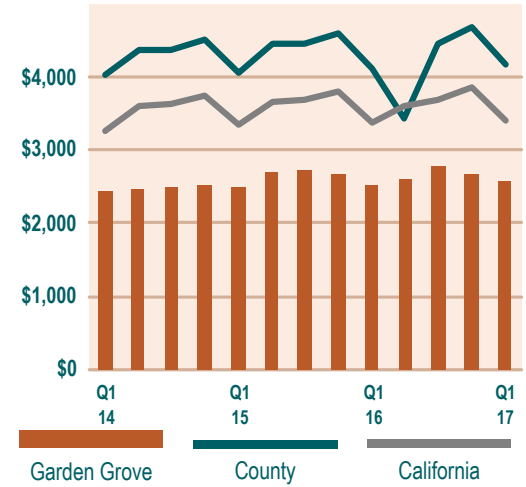
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

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.

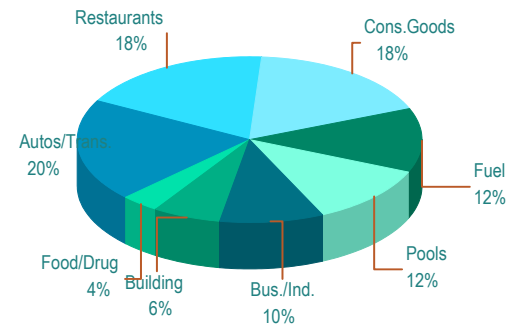
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals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



GARDEN GROVE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Garden Grove Q1 '17*	Change	County Change	HdL State Change
Automotive Supply Stores	83.0	-5.2%	-2.5%	0.0%
Building Materials	196.8	7.1%	0.8%	3.1%
Casual Dining	461.9	3.3%	1.8%	0.4%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.4%	1.6%
Electrical Equipment	— CONFIDENTIAL —	—	5.3%	-6.9%
Family Apparel	100.7	1.9%	3.5%	0.8%
Grocery Stores	76.5	-6.1%	4.2%	0.5%
Hotels-Liquor	111.8	-11.3%	7.1%	6.2%
Light Industrial/Printers	81.1	-4.6%	0.2%	7.5%
New Motor Vehicle Dealers	637.9	-8.1%	6.3%	4.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	35.5%	51.8%
Quick-Service Restaurants	307.4	7.9%	1.3%	4.6%
Service Stations	489.5	5.6%	9.9%	10.0%
Specialty Stores	100.7	-13.7%	1.8%	0.4%
Used Automotive Dealers	171.9	-3.3%	-3.5%	1.8%
Total All Accounts	4,554.0	2.1%	1.9%	1.8%
County & State Pool Allocation	603.9	4.6%	4.4%	2.9%
Gross Receipts	5,157.8	2.4%	2.2%	1.9%