

Q3 2015



Garden Grove Sales Tax *Update*

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

Garden Grove In Brief

Garden Grove's receipts from July through September were 9.3% above the third sales period in 2014, significantly outpacing state and regional trends.

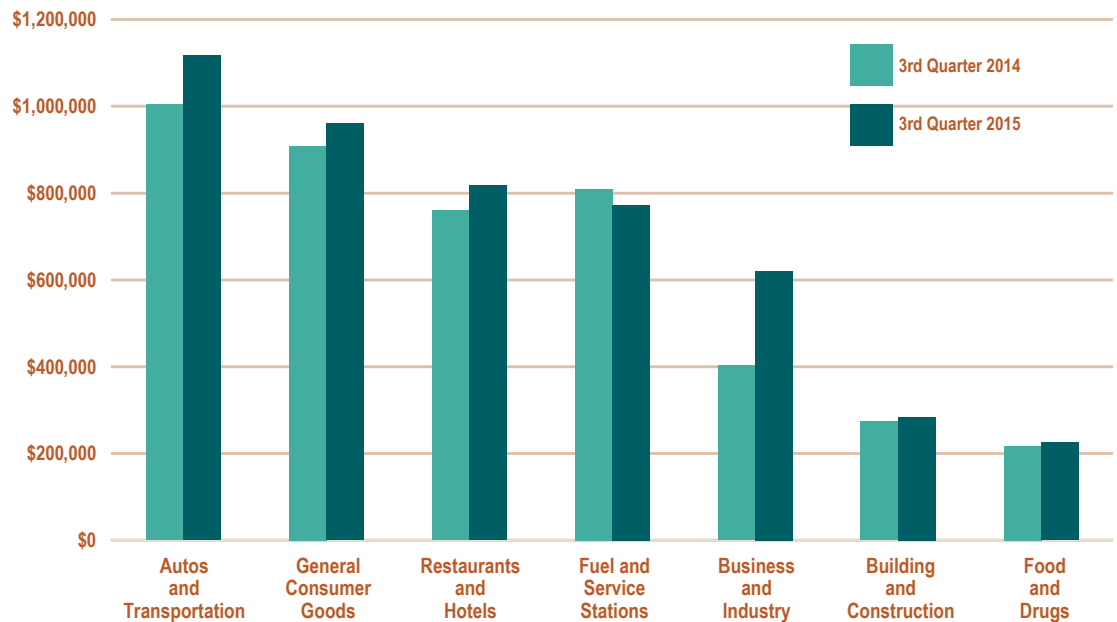
Electrical equipment sales were boosted by the relocation of a vendor from a neighboring jurisdiction and a onetime use tax payment from a second supplier. The category was the single biggest contributor to the city's stellar results, accounting for nearly half of the quarter's gains.

A new business opening also elevated discount department store sales, while better employment prospects, low fuel prices and easy financing options propelled auto sales. Allocations from the county use tax pool and restaurant sales were also higher.

The quarter's gains were partially offset by an abundant global supply of crude oil that weakened gas prices and depressed revenue from fuel merchants.

Net of aberrations, taxable sales for all of Orange County grew 3.1% over the comparable time period; the Southern California region was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alcatel Lucent	Imperio Nissan
Arco	McDonalds
Arco AM PM	One Source Distributors
Arco AM PM	Quantum Auto Sales
Arco AM PM	Ross
California Fuels & Lubricants	Shell
Chevron	Shell
Chevron	Simpson Chevrolet
Costco	Target
Ferguson Bath & Kitchen Gallery	Toyota Place
Garden Grove Hyundai	Volkswagen
Garden Grove Kia	Walmart Neighborhood Market
Home Depot	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$8,694,401	\$9,560,136
County Pool	992,561	1,131,830
State Pool	6,250	4,872
Gross Receipts	\$9,693,212	\$10,696,838
Less Triple Flip*	\$(2,423,303)	\$(2,674,210)

*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

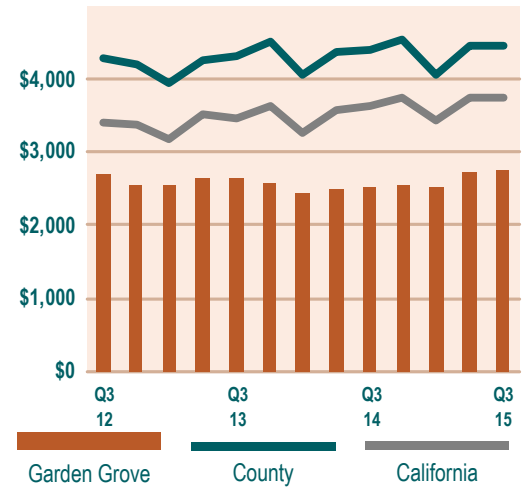
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

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.

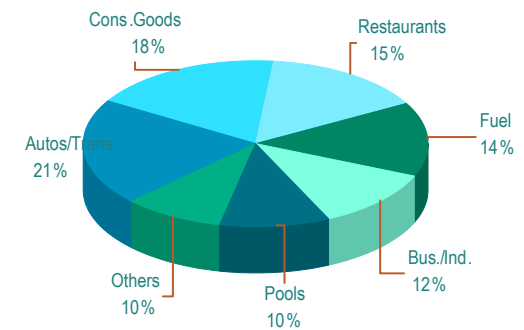
The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial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

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Garden Grove This Quarter



GARDEN GROVE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Garden Grove Q3 '15*	Change	County Change	HdL State Change
Automotive Supply Stores	76.8	-1.6%	3.6%	5.1%
Casual Dining	452.8	4.3%	6.6%	6.1%
Discount Dept Stores	560.2	5.1%	3.1%	2.1%
Electrical Equipment	274.4	420.6%	52.6%	-0.5%
Family Apparel	101.3	3.1%	-0.5%	2.2%
Grocery Stores Liquor	99.2	8.1%	5.5%	3.8%
Light Industrial/Printers	125.1	-3.3%	6.7%	1.3%
Lumber/Building Materials	— CONFIDENTIAL —		-1.4%	6.7%
New Motor Vehicle Dealers	769.2	11.1%	4.7%	8.2%
Petroleum Prod/Equipment	121.7	-9.5%	-16.2%	-28.0%
Plumbing/Electrical Supplies	57.6	20.4%	24.6%	10.0%
Quick-Service Restaurants	288.2	10.7%	6.3%	6.7%
Service Stations	650.4	-3.6%	-10.5%	-11.8%
Specialty Stores	100.4	20.3%	3.1%	5.6%
Used Automotive Dealers	151.6	14.5%	10.5%	13.7%
Total All Accounts	4,797.9	9.7%	2.6%	2.3%
County & State Pool Allocation	546.5	6.0%	-0.8%	3.5%
Gross Receipts	5,344.4	9.3%	2.2%	2.4%