

Q1 2016



Garden Grove Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Garden Grove In Brief

Garden Grove's receipts from January through March were 2.2% above the first sales period in 2015.

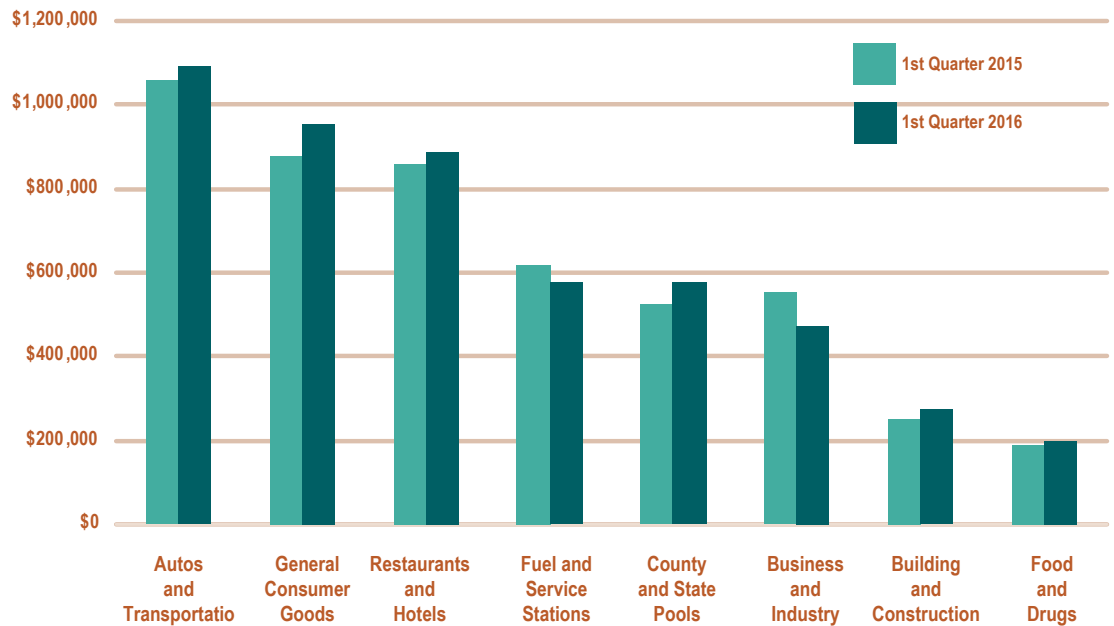
Sales were strong in a number of categories and particularly for general consumer goods, which accounted for 70% of the quarter's gain. Results for the discount store sub-group were exceptional, though the posted return for specialty stores was inflated by an additional payment that had previously been misallocated to another jurisdiction.

Increased allocations from the countywide use tax pool further boosted revenues as did the opening of a new hotel. A large onetime use tax receipt last year within the restaurant-hotel group offset some of this year's gains in comparison.

Business-industrial sales waned and the loss was magnified by numerous payment aberrations that more than doubled the true economic decline. Service station revenue also fell as the cost to fill-up a tank of gasoline decreased with the price of fuel.

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

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	McDonalds
California Fuels & Lubricants	Msc Industrial Supply
Chevron (2)	One Source Distributors
Costco	Quantum Auto Sales
Ferguson Bath & Kitchen Gallery	Ross
Garden Grove Hyundai	Shell
Garden Grove Kia	Simpson Chevrolet
Great Wolf Lodge Southern California	Target
Home Depot	Toyota Place
Hyatt Regency Orange County	Volkswagen of Garden Grove
Imperio Nissan Of Garden Grove	Vons
Kmart	Walmart Neighborhood Market

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$17,543,239	\$18,714,146
County Pool	2,091,585	2,350,054
State Pool	11,209	12,623
Gross Receipts	\$19,646,033	\$21,076,823
Less Triple Flip*	\$(4,911,508)	\$(4,009,573)

*Reimbursed from county compensation fund

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

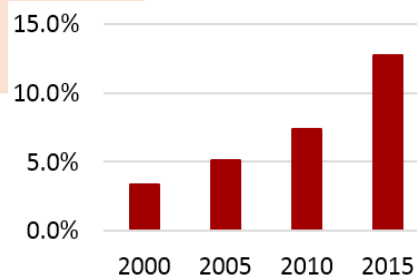
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

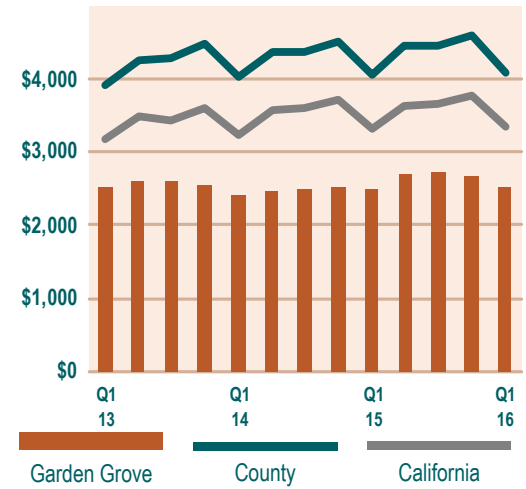
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

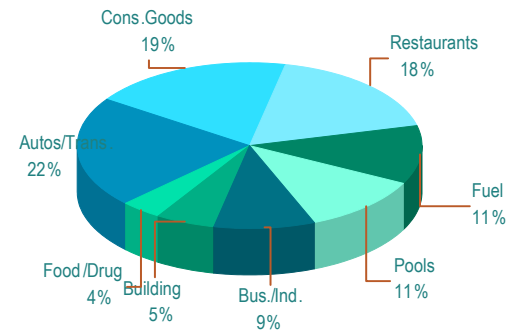
**Online General Consumer Goods
YOY Percentage Growth**



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 '16*	Change	County Change	HdL State Change
Automotive Supply Stores	91.6	7.7%	6.5%	4.8%
Casual Dining	446.3	-2.7%	6.2%	5.8%
Discount Dept Stores	524.2	3.2%	0.9%	-0.3%
Electrical Equipment	— CONFIDENTIAL —		-5.3%	6.6%
Family Apparel	98.9	-1.3%	2.4%	-0.7%
Grocery Stores Liquor	76.0	6.0%	4.7%	1.6%
Hotels-Liquor	105.2	270.0%	1.2%	3.9%
Light Industrial/Printers	89.9	-14.3%	-2.4%	-1.7%
Lumber/Building Materials	— CONFIDENTIAL —		2.8%	4.5%
New Motor Vehicle Dealers	693.9	-1.6%	-0.2%	3.1%
Petroleum Prod/Equipment	114.5	21.2%	-35.3%	-44.2%
Quick-Service Restaurants	283.7	7.7%	11.9%	6.4%
Service Stations	463.9	-11.3%	-11.1%	-9.3%
Specialty Stores	121.5	35.8%	-0.2%	3.4%
Used Automotive Dealers	177.9	13.0%	13.3%	9.2%
Total All Accounts	4,461.1	1.2%	2.1%	1.8%
County & State Pool Allocation	577.4	10.4%	11.4%	14.1%
Gross Receipts	5,038.5	2.2%	3.0%	3.2%