

Q4 2015



Garden Grove Sales Tax *Update*

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

Garden Grove In Brief

Garden Grove's receipts from October through December were 6.4% above the fourth sales period in 2014. Excluding reporting aberrations, actual sales were up 5.8%.

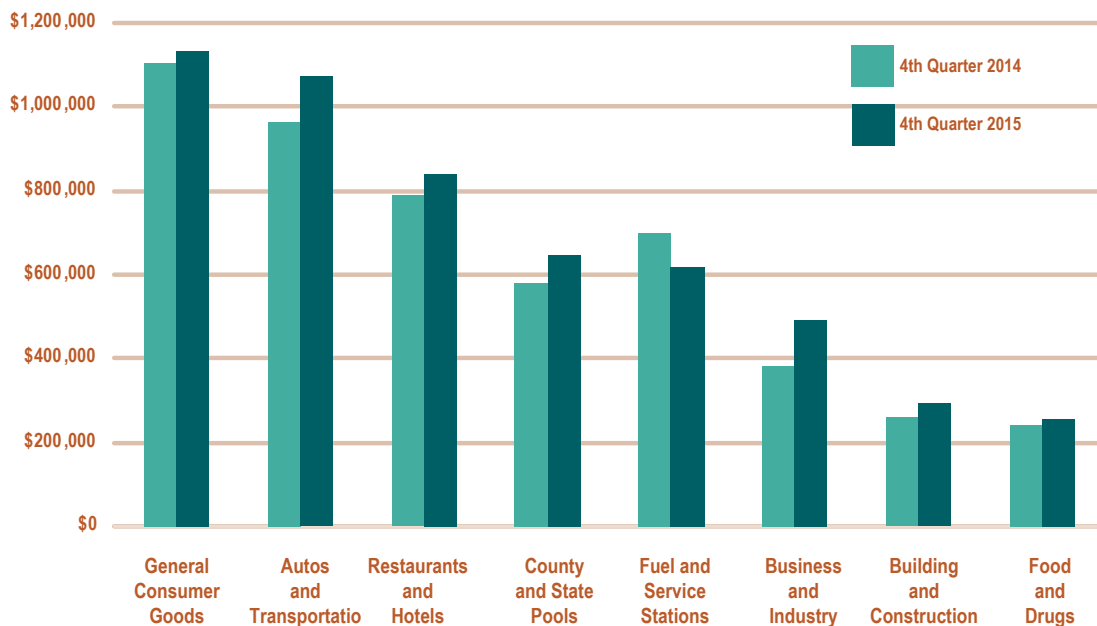
A recent addition that helped boost revenues from electrical equipment contributed to the overall gains.

The City experienced a strong sales quarter for new motor vehicle dealers, discount department stores, quick-service restaurants, family apparel, contractors and plumbing /electrical supplies.

The gains were partially offset by lower fuel prices at the pump that reduced returns from service stations.

Net of aberrations, taxable sales for all of Orange County grew 2.8% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Burlington Coat Factory	Marshalls
California Fuels & Lubricants	McDonalds
Chevron	One Source Distributors
Chevron	Quantum Auto Sales
Costco	Ralphs
Ferguson Bath & Kitchen Gallery	Ross
Garden Grove Hyundai	Shell
Garden Grove Kia	Simpson Chevrolet
Home Depot	Target
Imperio Nissan Of Garden Grove	Toyota Place
Jay's Catering	Volkswagen of Garden Grove
Kmart	Vons
	Walmart Neighborhood Market

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$13,134,524	\$14,253,040
County Pool	1,568,699	1,769,776
State Pool	11,122	15,477
Gross Receipts	\$14,714,346	\$16,038,292
Less Triple Flip*	\$(3,678,586)	\$(4,009,573)

*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-

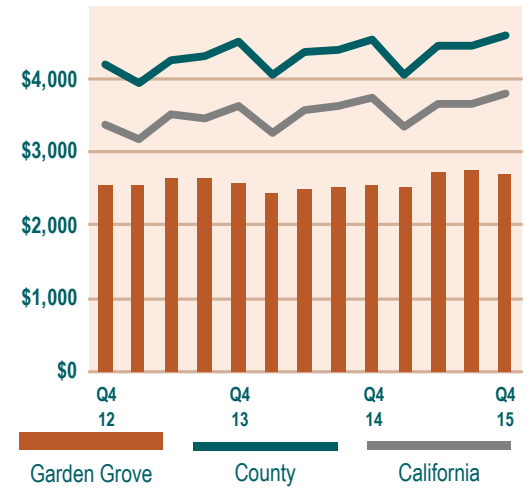
nues thus ending an eleven-year program known as the Triple Flip.

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.

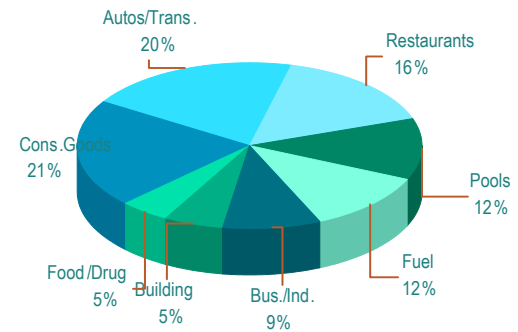
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Garden Grove This Quarter



GARDEN GROVE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Garden Grove Q4 '15*	Change	County Change	HdL State Change
Automotive Supply Stores	82.2	6.1%	6.6%	5.3%
Casual Dining	442.5	-0.7%	5.2%	6.1%
Discount Dept Stores	690.7	3.7%	3.6%	3.0%
Electrical Equipment	184.2	251.4%	-37.3%	-13.5%
Family Apparel	124.2	10.9%	5.1%	3.9%
Grocery Stores Liquor	123.6	2.9%	1.3%	0.5%
Light Industrial/Printers	97.5	-16.5%	1.9%	5.3%
Lumber/Building Materials	— CONFIDENTIAL —		4.9%	10.1%
New Motor Vehicle Dealers	728.3	12.1%	4.6%	7.9%
Petroleum Prod/Equipment	122.5	-1.3%	-23.5%	-30.0%
Plumbing/Electrical Supplies	62.4	31.8%	24.3%	9.4%
Quick-Service Restaurants	280.8	7.5%	12.1%	7.9%
Service Stations	497.5	-13.8%	-8.2%	-10.5%
Specialty Stores	108.8	0.9%	0.7%	4.3%
Used Automotive Dealers	135.3	1.5%	6.5%	10.2%
Total All Accounts	4,692.9	5.7%	2.6%	2.4%
County & State Pool Allocation	648.6	11.6%	8.3%	10.8%
Gross Receipts	5,341.5	6.4%	3.2%	3.5%