

Q4 2014



City of Seal Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Seal Beach In Brief

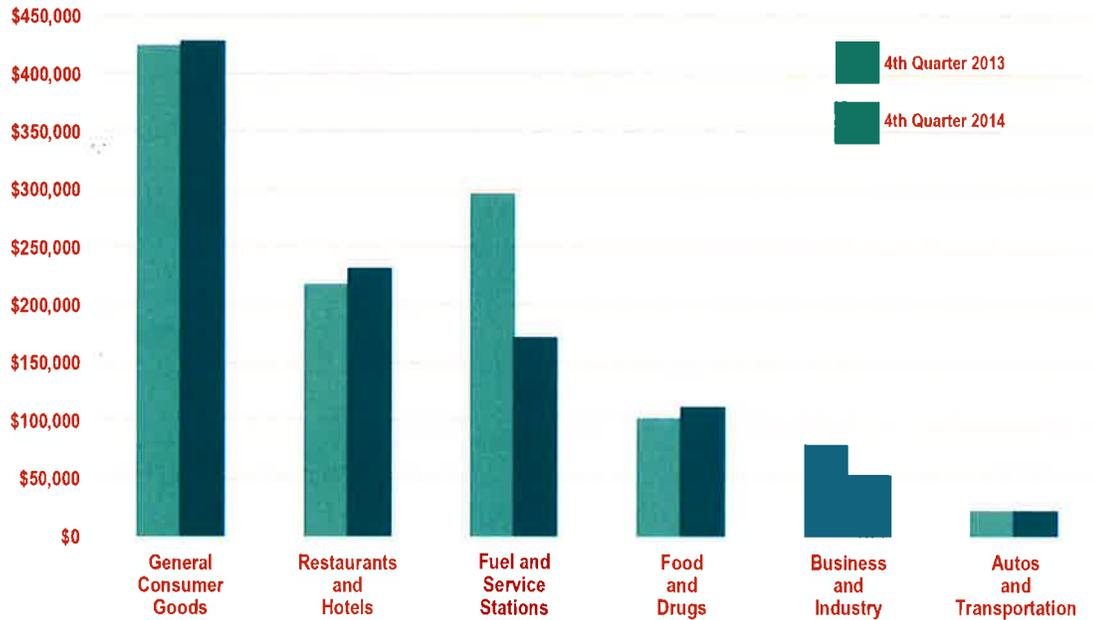
Receipts for Seal Beach's October through December sales were 10.3% lower than the same quarter one year ago.

Lower fuel prices and depressed sales negatively impacted the fuel and service stations group and was primarily responsible for the overall quarterly decrease. Several accounting adjustments exaggerated the drop in business and industry group results.

The losses were partially offset by new business additions and eatery openings which, along with higher sales activity, boosted both general consumer goods and all restaurant sectors.

Adjusted for aberrations, taxable sales for all of Orange County increased 3.4% over the comparable time period, while the Southern California region as a whole was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Bed Bath & Beyond	Original Parts Group
Chevron	Pavilions
Chevron	Ralphs
College Park Mobil	Roger Dunn Golf Shop
Conkle 76	Seal Beach Mobil
CVS Pharmacy	Spaghettini
Drapers & Damons	Staples
Energy Tubulars	Target
Home Goods	Toys R Us
In N Out Burgers	Tyr Sport
Kohls	Ultra Salon
Marshalls	Walts Wharf
Old Ranch Country Club	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$3,171,060	\$2,980,601
County Pool	359,064	356,030
State Pool	1,870	2,532
Gross Receipts	\$3,531,994	\$3,339,163
Less Triple Flip*	\$(882,998)	\$(834,791)

*Reimbursed from county compensation fund

Published by HdL Companies in Spring 2015

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Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

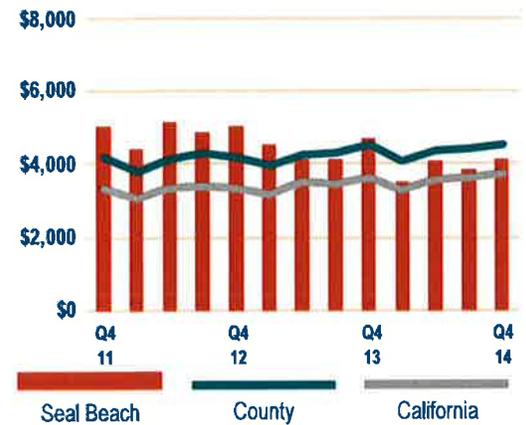
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

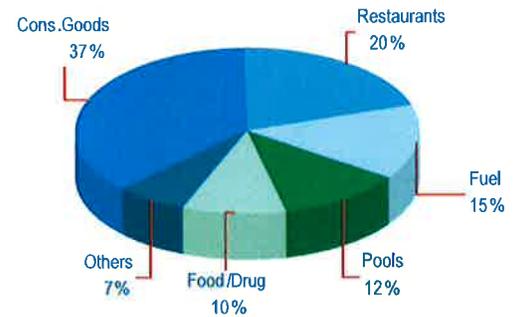
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Seal Beach This Quarter



SEAL BEACH TOP 15 BUSINESS TYPES

Business Type	Seal Beach		County	HdL State
	Q4 '14*	Change	Change	Change
Casual Dining	106.6	8.4%	7.6%	6.4%
Department Stores	— CONFIDENTIAL —	—	1.9%	1.0%
Discount Dept Stores	— CONFIDENTIAL —	—	0.9%	0.9%
Drug Stores	— CONFIDENTIAL —	—	-0.8%	-2.3%
Electronics/Appliance Stores	19.1	20.5%	-0.8%	1.3%
Family Apparel	36.1	6.3%	5.5%	5.1%
Fast-Casual Restaurants	26.3	-7.0%	3.8%	9.4%
Fine Dining	— CONFIDENTIAL —	—	15.2%	16.0%
Grocery Stores Liquor	— CONFIDENTIAL —	—	4.9%	3.5%
Home Furnishings	60.2	3.6%	8.8%	6.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-17.2%	-9.5%
Quick-Service Restaurants	54.4	13.0%	1.5%	7.4%
Service Stations	96.0	-8.4%	-16.2%	-10.6%
Specialty Stores	57.8	3.7%	5.8%	5.5%
Women's Apparel	32.0	-5.7%	-2.7%	-1.3%
Total All Accounts	\$1,022.9	-10.9%	1.7%	3.8%
County & State Pool Allocation	\$133.8	-5.6%	7.7%	4.7%
Gross Receipts	\$1,156.7	-10.3%	2.3%	3.9%