

Q4 2015



City of Seal Beach Sales Tax *Update*

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

Seal Beach In Brief

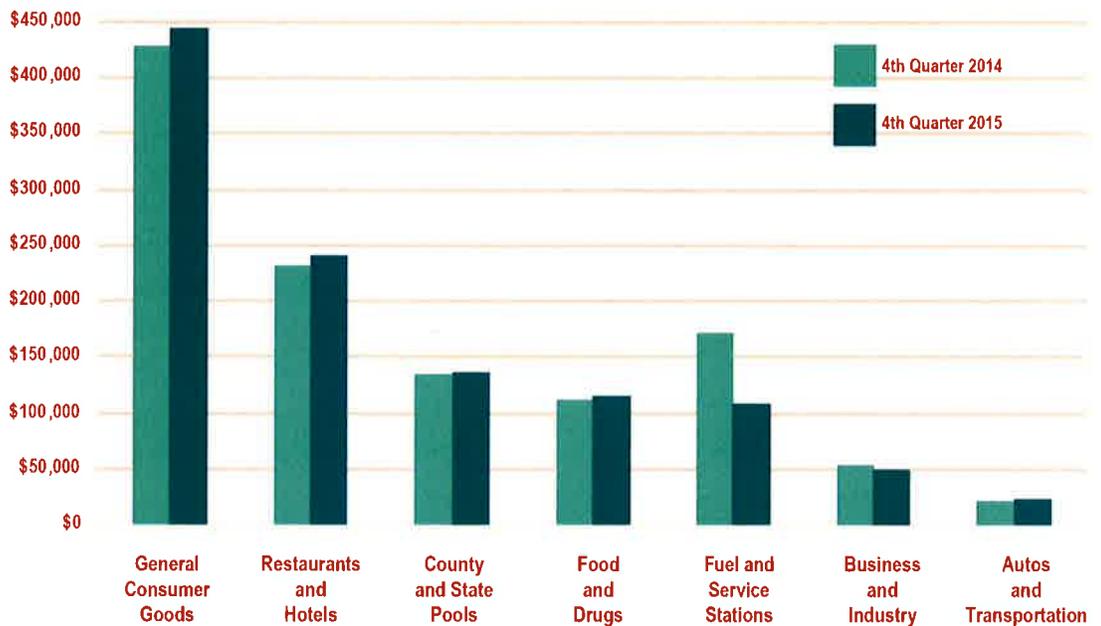
The allocation of sales and use taxes for October through December sales was 3.2% lower than the same quarter one year earlier. Actual sales declined 6.2% when accounting anomalies were excluded.

Lower fuel prices and sales activity that cut receipts from the fuel and service station group was a major factor for the overall decline. The correction of a prior reporting error and an unusually large allocation credited to the year-ago comparison period that depressed business-industry results were also factors.

Holiday quarter sales were up from multiple categories of consumer goods, including specialty stores and electronics/appliances. Quick-service eateries buoyed restaurant group returns although group gains were overstated by receipt of a double payment in another category. A prior business closeout negatively impacted results from casual dining.

Adjusted for aberrations, taxable sales for all of Orange County rose 2.8% over the same period; the Southern California region as a whole was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Old Ranch Country Club
AT&T Mobility	Original Parts Group
Bed Bath & Beyond	Pavilions
Chevron	Petsmart
Chevron	Ralphs
CVS	Roger Dunn Golf Shop
Energy Tubulars	Spaghettini
Home Goods	Sprouts
In N Out	Target
Kohls	Toys R Us
Marshalls	Ulta
Mobil	Walts Wharf
Mobil	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$2,980,601	\$2,754,775
County Pool	356,030	343,498
State Pool	2,532	3,132
Gross Receipts	\$3,339,163	\$3,101,405
Less Triple Flip*	\$(834,791)	\$(775,351)

*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-

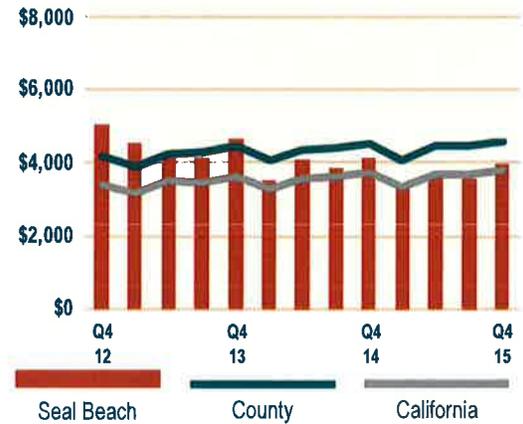
nues thus ending an eleven-year program known as the Triple Flip.

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.

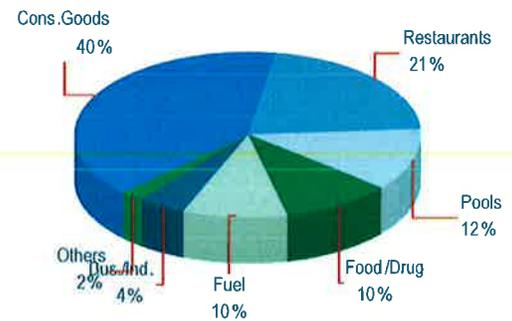
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Seal Beach This Quarter



SEAL BEACH TOP 15 BUSINESS TYPES

Business Type	Seal Beach		County	HdL State
	Q4 '15	Change	Change	Change
Casual Dining	120,849	0.1%	5.2%	6.1%
Department Stores	—	CONFIDENTIAL	-2.6%	-0.5%
Discount Dept Stores	—	CONFIDENTIAL	3.6%	3.0%
Drug Stores	—	CONFIDENTIAL	0.4%	1.2%
Electronics/Appliance Stores	21,586	12.8%	-0.9%	0.6%
Family Apparel	—	CONFIDENTIAL	5.1%	3.9%
Fast-Casual Restaurants	29,866	0.7%	7.2%	7.1%
Fine Dining	—	CONFIDENTIAL	10.8%	7.6%
Grocery Stores Liquor	—	CONFIDENTIAL	1.3%	0.5%
Home Furnishings	61,080	1.5%	5.0%	2.0%
Petroleum Prod/Equipment	—	CONFIDENTIAL	-23.5%	-30.0%
Quick-Service Restaurants	51,989	9.2%	12.1%	7.9%
Service Stations	83,693	-12.8%	-8.2%	-10.5%
Specialty Stores	63,889	10.6%	0.7%	4.3%
Women's Apparel	—	CONFIDENTIAL	-0.5%	1.1%
Total All Accounts	984,197	-3.8%	2.6%	2.4%
County & State Pool Allocation	136,014	1.6%	8.3%	10.8%
Gross Receipts	1,120,212	-3.2%	3.2%	3.5%