

# Q2 2016



# City of Seal Beach Sales Tax *Update*

*Third Quarter Receipts for Second Quarter Sales (April - June 2016)*

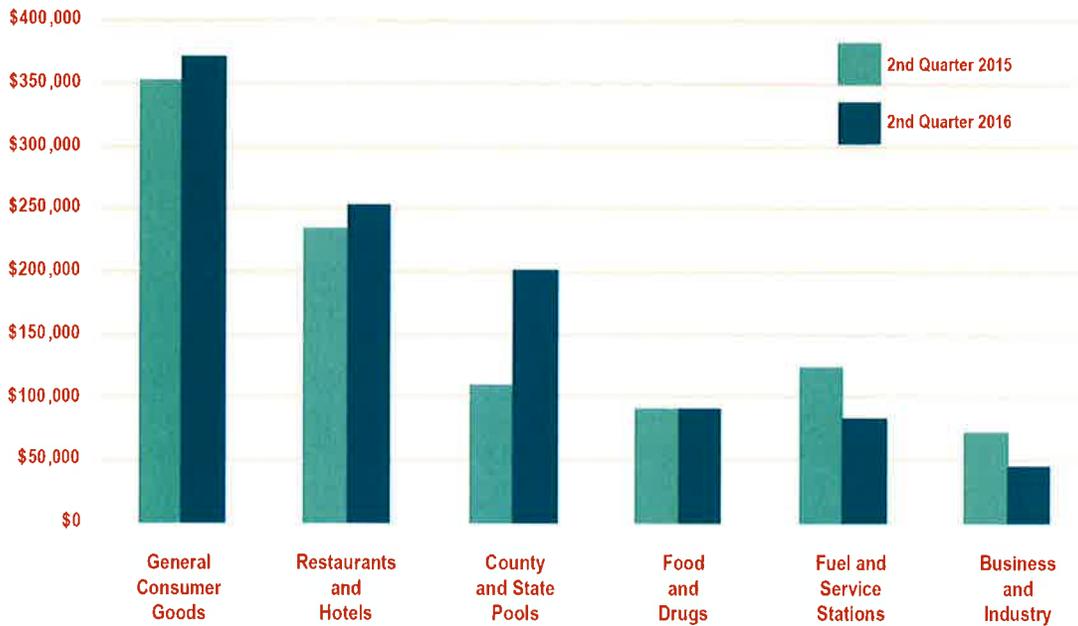
## Seal Beach In Brief

Seal Beach's revenue from April through June was 6.8% above the second sales period in 2015. Cash receipts were buoyed by a large county pool reallocation made by the State Board of Equalization for prior-year out-of-state use tax purchases. Point-of-sale growth, adjusted for this and other payment aberrations, would have otherwise fallen 4.2% in the second quarter compared to 0.3% countywide growth.

Restaurant-hotel sales were aided by the opening of new eateries, though the reported increase was inflated by a large late payment last year. The 78% reported gain for electronics-appliance sales was also inflated by payment aberrations and would have otherwise climbed approximately 3%.

Fuel-service station revenue was lower with the price of gasoline. Business-industrial sales also fell as US manufacturers contend with the challenging global economic outlook.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Old Ranch Country Club
Bed Bath & Beyond	Original Parts Group
Chevron	Pavilions
Chevron	Petsmart
Chick Fil A	Ralphs
CVS Pharmacy	Roger Dunn Golf Shop
Hangout	Spaghetтини
Home Goods	Sprouts
In N Out Burgers	Target
Kohls	Toys R Us
Marshalls	Ulta
Mobil	Walt's Wharf
Mobil	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$891,394	\$868,890
County Pool	109,719	201,087
State Pool	746	326
<b>Gross Receipts</b>	<b>\$1,001,858</b>	<b>\$1,070,304</b>
Less Triple Flip*	\$(250,465)	\$0

\*Reimbursed from county compensation fund

**California Overall**

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

**Interest In Tax Reform Grows**

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

**Expand the Base / Lower the Rate:**

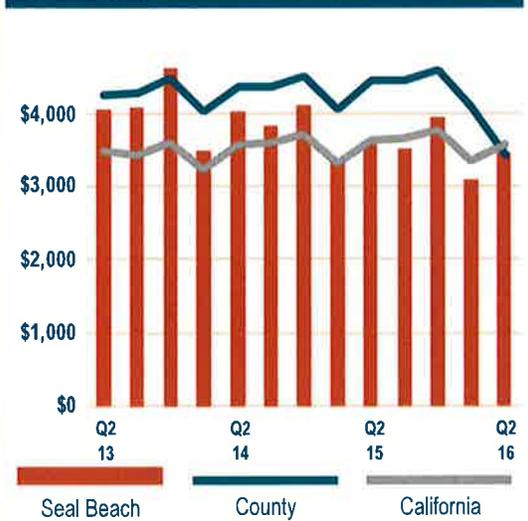
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

**Allocate to Place of Consumption:**

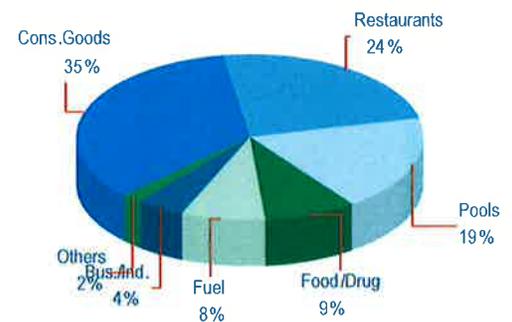
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Seal Beach This Quarter



**SEAL BEACH TOP 15 BUSINESS TYPES**

Business Type	Seal Beach		County	HdL State
	Q2 '16	Change	Change	Change
Casual Dining	132,781	-0.5%	3.7%	4.2%
Department Stores	— CONFIDENTIAL —		-4.4%	-4.3%
Discount Dept Stores	— CONFIDENTIAL —		-0.8%	0.7%
Drug Stores	— CONFIDENTIAL —		2.5%	0.5%
Electronics/Appliance Stores	29,340	78.4%	26.9%	22.4%
Family Apparel	— CONFIDENTIAL —		6.4%	4.4%
Fast-Casual Restaurants	31,565	-3.0%	4.4%	3.9%
Fine Dining	— CONFIDENTIAL —		13.1%	12.3%
Grocery Stores Liquor	— CONFIDENTIAL —		2.8%	1.2%
Home Furnishings	48,633	2.4%	0.7%	1.2%
Quick-Service Restaurants	56,711	10.5%	5.1%	6.7%
Service Stations	82,709	-19.8%	-23.2%	-19.2%
Specialty Stores	45,352	5.6%	1.2%	2.6%
Sporting Goods/Bike Stores	19,506	-4.7%	7.6%	9.3%
Women's Apparel	35,491	-2.0%	-0.7%	1.8%
<b>Total All Accounts</b>	<b>868,890</b>	<b>-2.5%</b>	<b>-22.1%</b>	<b>-0.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>201,414</b>	<b>82.3%</b>	<b>45.7%</b>	<b>15.2%</b>
<b>Gross Receipts</b>	<b>1,070,304</b>	<b>6.8%</b>	<b>-14.6%</b>	<b>1.4%</b>