Q1 2015

City of Seal Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

Seal Beach In Brief

Receipts for Seal Beach's January through March sales were 4.2% lower than the same quarter one year ago.

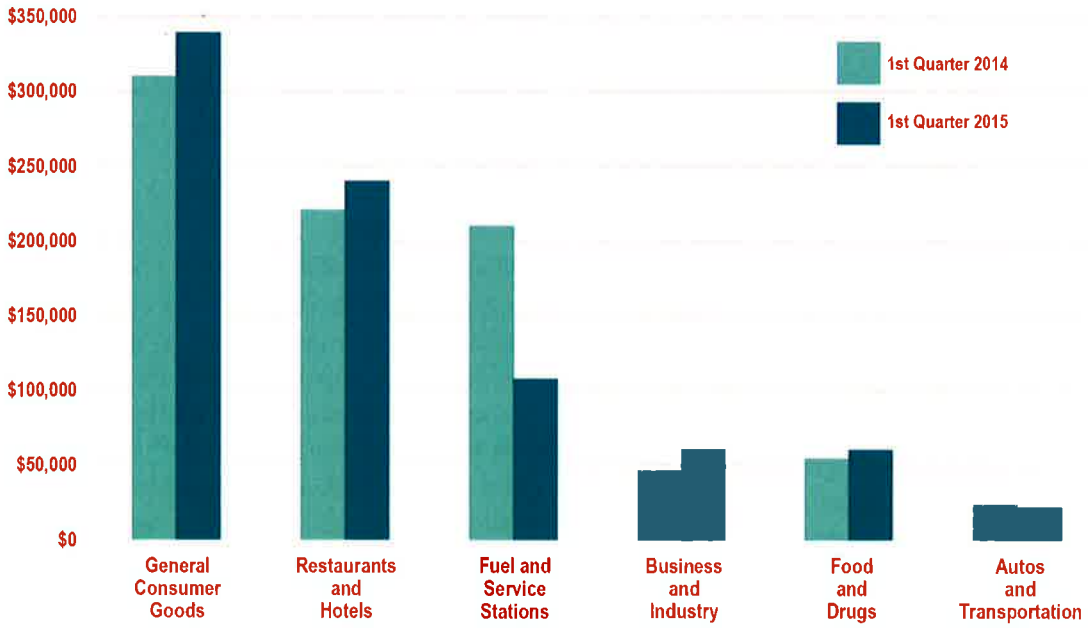
The combination of lower fuel prices and sales activity that cut revenues from the fuel and service station group was a major factor for the overall decline. The allocation from the countywide use tax pool was also a factor.

Postings were up from multiple categories of general consumer goods although payment anomalies inflated comparisons for women's apparel and specialty stores. Restaurant group revenues were overstated by accounting events that affected both casual dining and fast casual eateries.

A new outlet helped the food and drugs group while a onetime use tax allocation provided a temporary boost to receipts from office supplies-furniture. A recent addition and increased sales also contributed to business group gains.

Adjusted for aberrations, taxable sales for all of Orange County increased 1.9% over the same period, while the Southern California region as a whole was up 3.2%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- AT&T Mobility
- Bed Bath & Beyond
- Chevron
- Chevron
- College Park Mobil
- Conkle 76
- CVS Pharmacy
- Energy Tubulars
- Haworth
- Home Goods
- In N Out Burgers
- Islands
- Kohls
- Marshalls
- Old Ranch Country Club
- Original Parts Group
- Pavilions
- Roger Dunn Golf Shop
- Seal Beach Mobil
- Spaghettini
- Staples
- Target
- Toys R Us
- Ulta Salon
- Walts Wharf

Revenue Comparison

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	$4,041,227	$3,815,778
County Pool	463,421	455,084
State Pool	2,680	2,549
Gross Receipts	**$4,507,327**	**$4,273,410**
Less Triple Flip*	$(1,126,832)	$(1,068,353)

**Reimbursed from county compensation fund*

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NOTES

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over $122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 ½% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and more competitive while providing greater flexibility in the development of local tax bases.

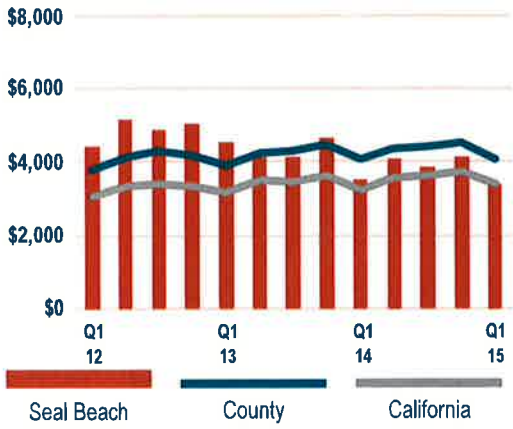
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

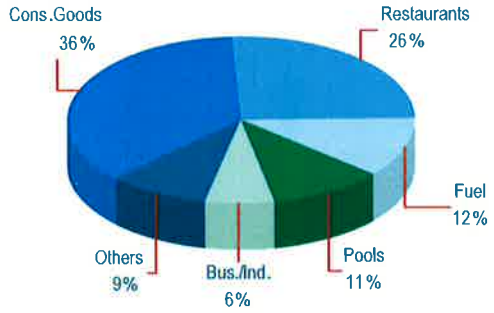
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

Sales Per Capita



Revenue by Business Group

Seal Beach This Quarter



Seal Beach Top 15 Business Types

Business Type	Seal Beach Q1 '15	Seal Beach Change	County Change	HdL State Change
Casual Dining	114,695	9.3%	4.4%	5.4%
Department Stores	— CONFIDENTIAL —		3.0%	2.1%
Discount Dept Stores	— CONFIDENTIAL —		3.6%	4.2%
Drug Stores	— CONFIDENTIAL —		9.3%	10.7%
Electronics/Appliance Stores	16,464	15.1%	3.6%	-0.4%
Family Apparel	30,055	9.4%	11.8%	9.8%
Fast-Casual Restaurants	30,309	12.8%	12.3%	12.4%
Fine Dining	— CONFIDENTIAL —		15.2%	16.6%
Grocery Stores Liquor	— CONFIDENTIAL —		4.4%	5.1%
Home Furnishings	49,102	12.3%	10.3%	8.2%
Office Supplies/Furniture	25,306	143.4%	-54.3%	0.6%
Quick-Service Restaurants	55,451	12.2%	10.4%	10.7%
Service Stations	95,293	-22.5%	-20.0%	-21.9%
Specialty Stores	42,069	16.8%	5.0%	10.0%
Women's Apparel	34,498	17.1%	0.8%	1.7%
Total All Accounts	**$835,176**	**-4.0%**	**1.3%**	**3.6%**
County & State Pool Allocation	**$99,071**	**-5.8%**	**-0.6%**	**1.1%**
Gross Receipts	**$934,247**	**-4.2%**	**1.1%**	**3.3%**