

Q4 2018



City of Seal Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Seal Beach In Brief

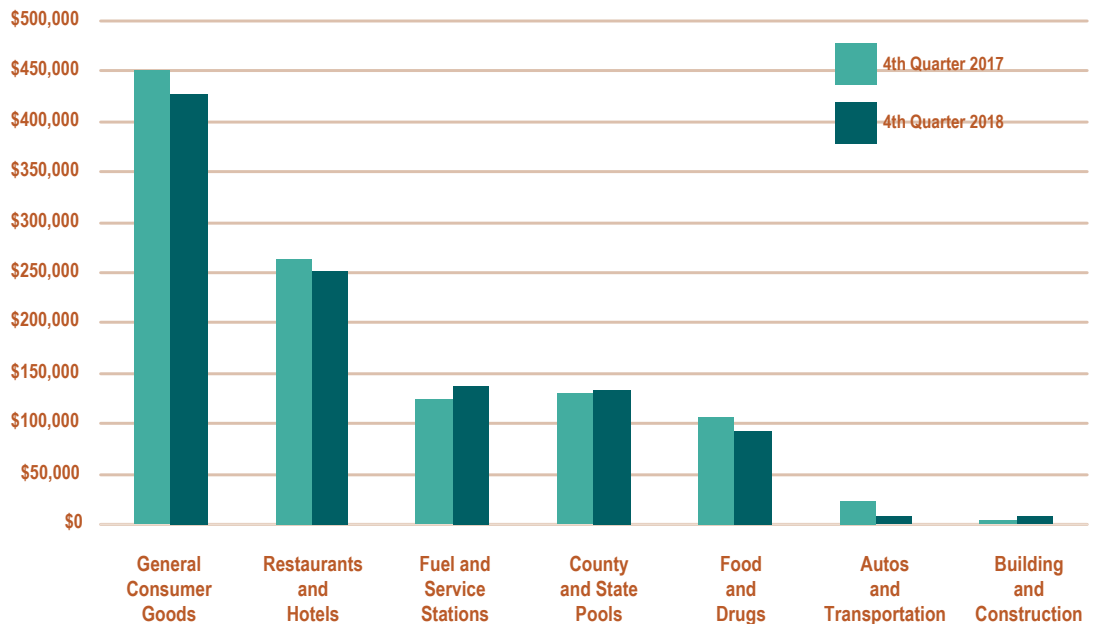
Seal Beach's receipts from October through December were 0.3% above the fourth sales period in 2017. However, a negative allocation in the prior year skewed the results. Excluding reporting aberrations, actual sales were down 1.8%.

The recent closeout of a specialty retailer combined with weak returns from electronics and jewelry stores hurt holiday season results by general consumer goods. Decreased sales by multiple eateries including casual dining establishments pulled restaurants lower.

In contrast, steady price increases at the pump, mostly related to the global cost of crude oil and implementation of SB-1 locally, pushed fuel-service station receipts higher. Solid growth by office equipment suppliers and business services merchants further helped offset the adjusted declines.

Net of aberrations, taxable sales for all of Orange County grew 2.0% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Panera Bread
AT&T Mobility	Pavilions
Bed Bath & Beyond	Petsmart
Chevron	Ralphs
Chick Fil A	Roger Dunn Golf Shop
CVS Pharmacy	Seal Beach Chevron
Energy Tubulars	Spaghettini
Home Goods	Sprouts Farmers Market
In N Out Burger	Staples
Kohls	Target
Marshalls	Ultra Beauty
Mobil	Walt's Wharf
Old Ranch Country Club	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$1,832,894	\$2,040,443
County Pool	243,442	277,386
State Pool	947	1,017
Gross Receipts	\$2,077,283	\$2,318,846

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

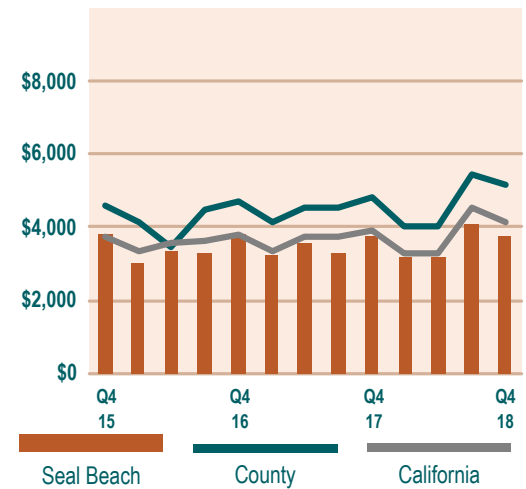
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

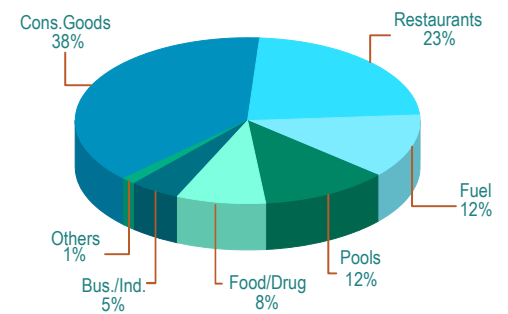
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

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 '18	Change	Change	Change
Casual Dining	122,608	-6.3%	1.6%	2.5%
Department Stores	— CONFIDENTIAL —	—	-10.0%	-3.4%
Discount Dept Stores	— CONFIDENTIAL —	—	3.5%	4.0%
Drug Stores	— CONFIDENTIAL —	—	13.4%	21.9%
Electronics/Appliance Stores	22,105	-17.3%	0.9%	-1.6%
Family Apparel	44,784	9.8%	-1.2%	0.4%
Fast-Casual Restaurants	28,187	-7.8%	5.5%	4.5%
Grocery Stores	57,836	-20.3%	-17.8%	-11.7%
Home Furnishings	60,077	-1.9%	-0.3%	0.0%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	54.7%	24.3%
Quick-Service Restaurants	65,356	8.3%	3.4%	6.6%
Service Stations	97,225	7.5%	31.4%	28.5%
Specialty Stores	37,155	-43.0%	-10.4%	-10.8%
Sporting Goods/Bike Stores	28,004	11.9%	-0.2%	-2.4%
Women's Apparel	35,558	16.7%	1.1%	-3.6%
Total All Accounts	977,435	0.0%	7.0%	7.0%
County & State Pool Allocation	133,697	2.5%	9.6%	8.6%
Gross Receipts	1,111,131	0.3%	7.3%	7.2%