

Q3 2015



City of Seal Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

Seal Beach In Brief

Receipts from Seal Beach's July through September sales were 8.1% lower than the same quarter one year ago. Actual sales activity decreased 5.5% after accounting aberrations were factored out.

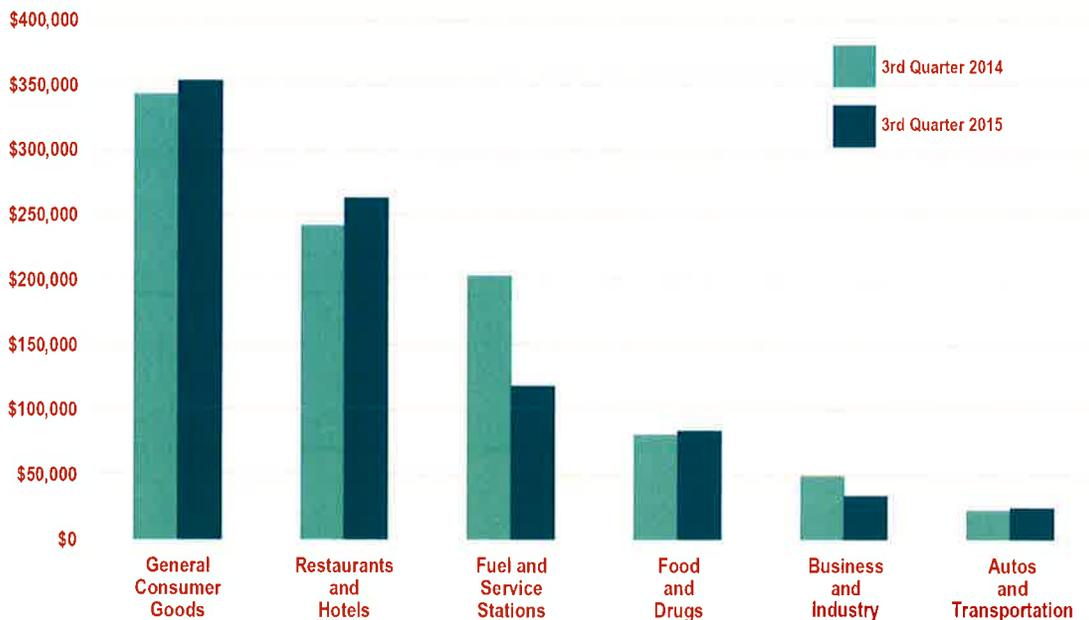
Continued lower fuel prices and declining sales negatively impacted fuel and service station returns and was a significant factor in the overall quarterly decline.

Disappointing sales in several business to business sectors accounted for the drop in business and industry. A smaller allocation from the countywide use tax pool was also a factor.

The losses were partially offset by improved sales in some general consumer goods categories while payment adjustments and net higher sales boosted restaurants and hotels receipts.

Net of aberrations, taxable sales for all of Orange County grew 3.1% over the comparable time period, while the Southern California region was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$1,957,736	\$1,770,578
County Pool	223,306	209,708
State Pool	1,410	908
Gross Receipts	\$2,182,451	\$1,981,194
Less Triple Flip*	\$(545,613)	\$(495,298)

*Reimbursed from county compensation fund

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Statewide Results

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

Online Retail Sales Continue to Outpace Brick & Mortar Stores

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

New Restrictions on Tax Sharing Agreements

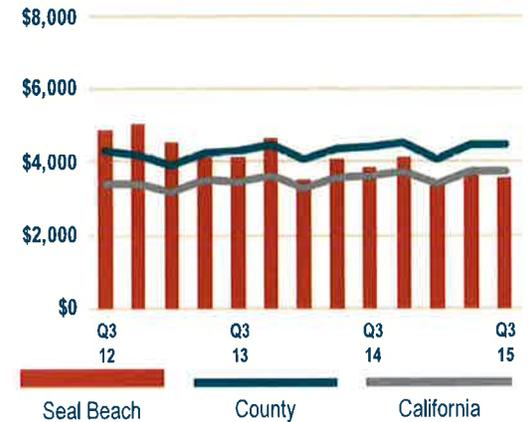
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

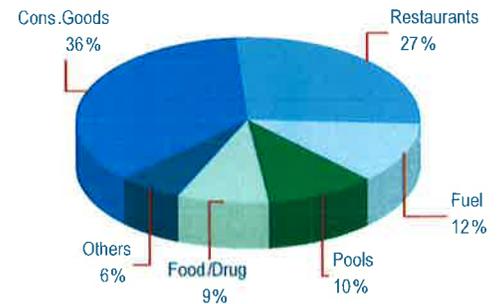
The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Seal Beach This Quarter



SEAL BEACH TOP 15 BUSINESS TYPES

Business Type	Seal Beach		County	HdL State
	Q3 '15	Change	Change	Change
Casual Dining	117,321	6.1%	6.3%	5.8%
Department Stores	— CONFIDENTIAL —	—	-1.2%	-0.6%
Discount Dept Stores	— CONFIDENTIAL —	—	3.1%	2.1%
Drug Stores	— CONFIDENTIAL —	—	-0.8%	-1.5%
Family Apparel	32,751	6.1%	-0.5%	2.2%
Fast-Casual Restaurants	27,889	5.9%	7.2%	11.0%
Fine Dining	— CONFIDENTIAL —	—	15.8%	11.4%
Grocery Stores Liquor	— CONFIDENTIAL —	—	5.4%	3.8%
Home Furnishings	50,297	3.9%	10.3%	5.1%
Leisure/Entertainment	— CONFIDENTIAL —	—	23.4%	22.1%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-30.7%	1.8%
Quick-Service Restaurants	61,055	7.8%	6.3%	6.7%
Service Stations	104,440	-18.6%	-10.5%	-11.8%
Specialty Stores	44,678	12.6%	3.1%	5.7%
Women's Apparel	32,013	5.1%	4.2%	-1.0%
Total All Accounts	879,184	-7.8%	2.6%	2.3%
County & State Pool Allocation	100,152	-10.8%	-0.8%	3.5%
Gross Receipts	979,336	-8.1%	2.2%	2.4%