

Q1 2020



City of Seal Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Seal Beach In Brief

Seal Beach's receipts from January through March were 22.3% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 5.7%.

The COVID-19 pandemic began impacting sales tax revenue during the first quarter of 2020 with the biggest blow coming in the last two weeks of March. Sales tax deferrals and payment plan orders signed by Governor Newsom furthered impaired cash flow to local governments.

Revenue from restaurants-hotels dipped as in-person dining establishments shuttered their doors. General consumer goods declined as stores closed due to Safe at Home orders.

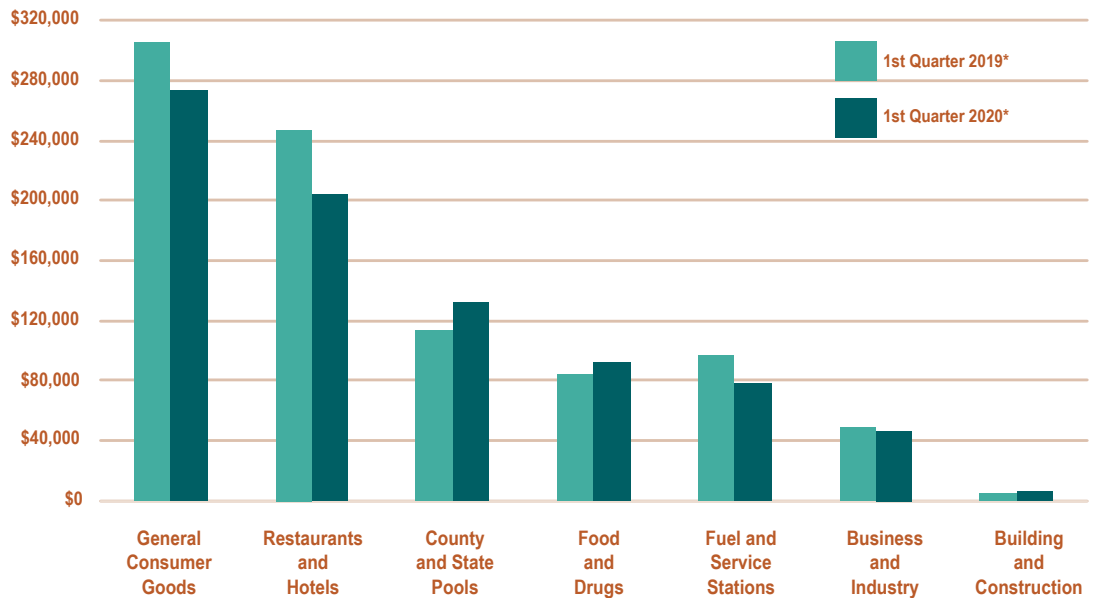
Revenue from food-drug retailers remained steady, while receipts from the building-construction sector went up slightly.

The City's share of the countywide use tax pool increased 17.1% when compared to the same period in the prior year.

Measure BB, the local one-cent transaction tax, generated \$949,413 this quarter.

Net of aberrations, taxable sales for all of Orange County declined 4.4% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Original Parts Group
Bed Bath & Beyond	Pavilions
California Pizza Kitchen	Petsmart
Chevron	Ralphs
Chick Fil A	Rite Aid
CVS Pharmacy	Roger Dunn Golf Shop
Home Goods	Spaghettini
In N Out Burger	Sprouts Farmers Market
Islands	Staples
Kohls	Target
Marshalls	Ultra Beauty
Mobil	Walts Wharf
Old Ranch Country Club	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$2,856,388	\$2,488,922
County Pool	395,961	452,325
State Pool	1,477	1,370
Gross Receipts	\$3,253,826	\$2,942,617
Measure BB	\$2,730	\$3,604,076

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

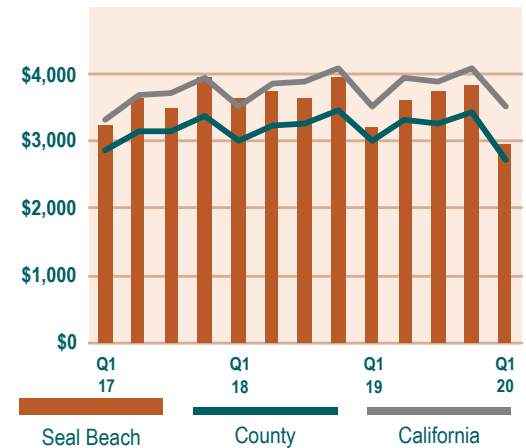
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

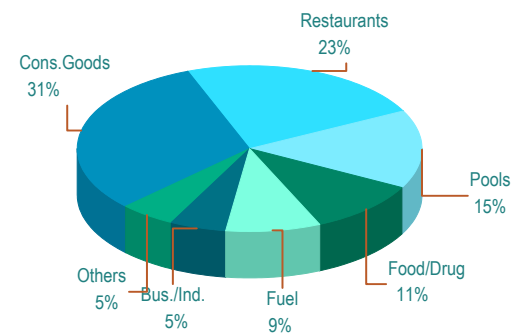
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Seal Beach This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

SEAL BEACH TOP 15 BUSINESS TYPES**

Business Type	Seal Beach		County	HdL State
	Q1 '20	Change	Change	Change
Automotive Supply Stores	— CONFIDENTIAL —	—	-12.0%	-9.5%
Casual Dining	104,827	-20.1%	-18.8%	-18.8%
Department Stores	— CONFIDENTIAL —	—	-33.6%	-34.6%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	3.2%
Drug Stores	— CONFIDENTIAL —	—	4.6%	3.4%
Electronics/Appliance Stores	12,797	-21.9%	-13.6%	-18.0%
Family Apparel	35,275	6.6%	-15.6%	-21.1%
Fast-Casual Restaurants	23,193	-12.9%	-11.5%	-9.9%
Grocery Stores	59,165	13.4%	11.7%	11.8%
Home Furnishings	40,387	-6.5%	-12.1%	-13.0%
Quick-Service Restaurants	60,069	-0.5%	-5.6%	-8.5%
Service Stations	75,259	-4.8%	-12.4%	-9.5%
Specialty Stores	26,265	-8.0%	-13.0%	-10.1%
Sporting Goods/Bike Stores	15,957	-22.5%	-18.3%	-10.3%
Women's Apparel	19,597	-28.2%	-24.1%	-31.6%
Total All Accounts	739,368	-8.8%	-9.9%	-7.3%
County & State Pool Allocation	132,694	17.1%	21.5%	22.4%
Gross Receipts	872,063	-5.7%	-4.4%	-3.0%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.