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 further 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%.

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Sales Tax by Major Business Group

Revenue Comparison

<table>
<thead>
<tr>
<th>Measure BB</th>
<th>2018-19</th>
<th>2019-20</th>
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</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$2,856,388</td>
<td>$2,488,922</td>
</tr>
<tr>
<td>County Pool</td>
<td>395,961</td>
<td>452,325</td>
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<tr>
<td>State Pool</td>
<td>1,477</td>
<td>1,370</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$3,253,826</td>
<td>$2,942,617</td>
</tr>
<tr>
<td>Measure BB</td>
<td>$2,730</td>
<td>$3,604,076</td>
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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 reimage 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*