

Q3 2019



City of Seal Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

Seal Beach In Brief

Seal Beach's receipts from July through September were 10.5% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were up 2.4%.

A large onetime use tax allocation and strong summer activity from building-construction suppliers were largely responsible for the overall gain.

These local point of sale improvements combined with increased taxes collected for online purchases of items shipped into the region compared to last year, boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

The City's recently approved one-cent transaction tax, Measure BB, generated an additional \$1,230,226 in the second quarter the tax went into effect.

Net of aberrations, taxable sales for all of Orange County grew 3.3% over the comparable time period; the Southern California region was up 2.8%.

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
Boeing	Petsmart
Chevron	Ralphs
Chick Fil A	Roger Dunn Golf Shop
CVS Pharmacy	Spaghettini
Energy Tubulars	Sprouts Farmers Market
Home Goods	Staples
In N Out Burger	Target
Kohls	Ulta Beauty
Marshalls	United Pacific
Mobil	Walt's Wharf
Old Ranch Country Club	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$1,063,009	\$935,168
County Pool	144,161	145,304
State Pool	546	370
Gross Receipts	\$1,207,715	\$1,080,842
Measure BB	\$0	\$1,230,226

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

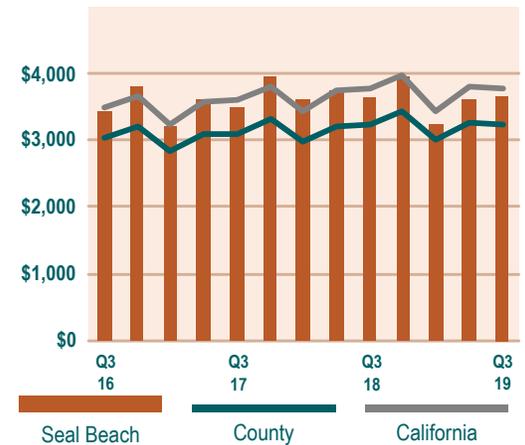
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

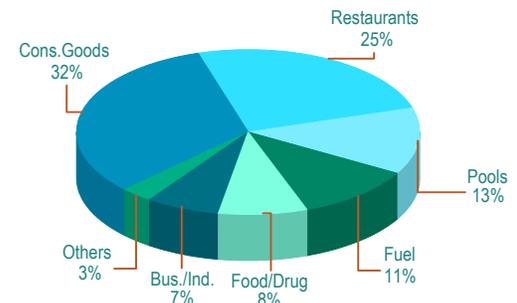
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

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
	Q3 '19	Change	Change	Change
Casual Dining	134,881	-3.6%	-0.3%	2.3%
Department Stores	— CONFIDENTIAL —	—	-10.1%	-9.5%
Discount Dept Stores	— CONFIDENTIAL —	—	2.3%	2.8%
Drug Stores	— CONFIDENTIAL —	—	-1.9%	-1.2%
Family Apparel	37,022	2.2%	2.3%	1.5%
Fast-Casual Restaurants	28,983	-6.4%	4.1%	5.1%
Grocery Stores	52,641	1.1%	1.7%	1.8%
Home Furnishings	50,541	4.9%	1.6%	-1.0%
Leisure/Entertainment	— CONFIDENTIAL —	—	7.0%	7.5%
Quick-Service Restaurants	67,124	4.0%	2.6%	2.6%
Service Stations	98,928	-5.4%	-0.7%	-1.5%
Specialty Stores	28,011	-14.6%	-4.5%	0.3%
Sporting Goods/Bike Stores	25,238	-1.3%	-3.2%	-1.3%
Transportation-Non-Auto	— CONFIDENTIAL —	—	65.6%	13.3%
Women's Apparel	33,026	20.5%	-4.6%	-5.6%
Total All Accounts	920,526	0.7%	0.7%	0.2%
County & State Pool Allocation	139,552	14.8%	16.7%	14.9%
Gross Receipts	1,060,079	2.4%	3.3%	2.3%

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