

# Q4 2019



# City of Seal Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## Seal Beach In Brief

Seal Beach's receipts from October through December were 2.2% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were down 0.3%.

Business closures and late payments caused a temporary decline in receipts from restaurants and hotels. General consumer goods reported a sluggish sales quarter.

Food and drug retailers reported lower totals in the fourth quarter of 2019. Lower revenue from fuel and service stations can be attributed to excess domestic supply coupled with weaker demand due to Los Angeles and Bay area refinery down-times.

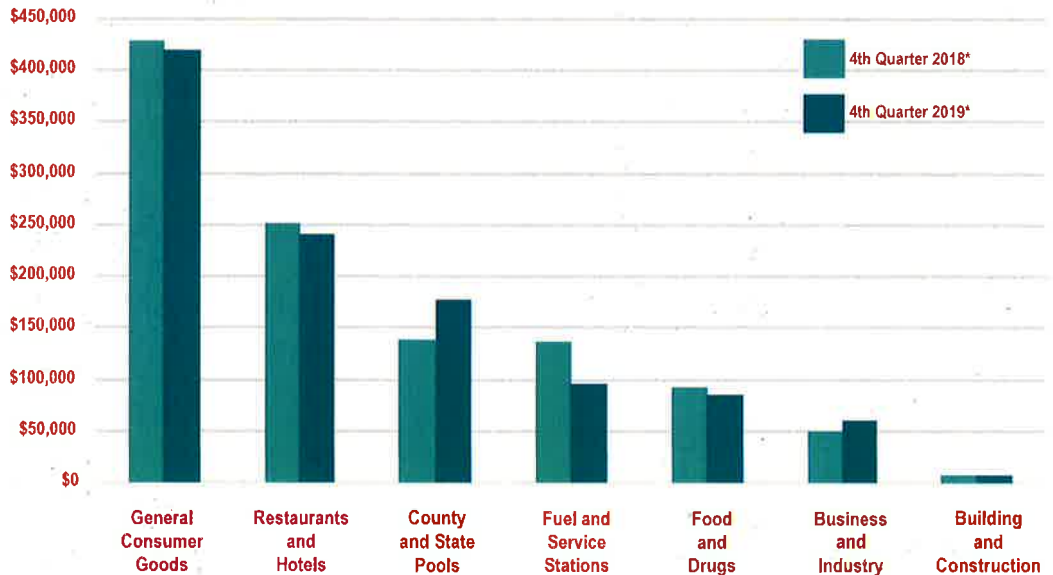
A misallocated payment contributed to the increase in sales from the business and industry sector.

The implementation of the Way-fair decision (AB147) has resulted in first-time taxpayers collecting and remitting local tax, which increased the City's share of the countywide use tax pool to 33.6% over the same period in the prior year.

Measure BB, the voter-approved one-cent transaction tax generated an additional \$1,389,500 in revenue this quarter.

Net of aberrations, taxable sales for all of Orange County grew 5.3% over the comparable time period; the Southern California region was up 4.4%.

## 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
Burlington	Petsmart
California Pizza Kitchen	Ralphs
Chevron	Rite Aid
Chick Fil A	Roger Dunn Golf Shop
CVS Pharmacy	Spaghettini
Home Goods	Sprouts Farmers Market
In N Out Burger	Staples
Kohls	Target
Marshalls	Ulta Beauty
Mobil	Walt's Wharf
Old Ranch Country Club	

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$2,040,443	\$1,891,873
County Pool	277,386	323,321
State Pool	1,017	843
<b>Gross Receipts</b>	<b>\$2,318,846</b>	<b>\$2,216,037</b>
Measure BB	\$0	\$2,654,664

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

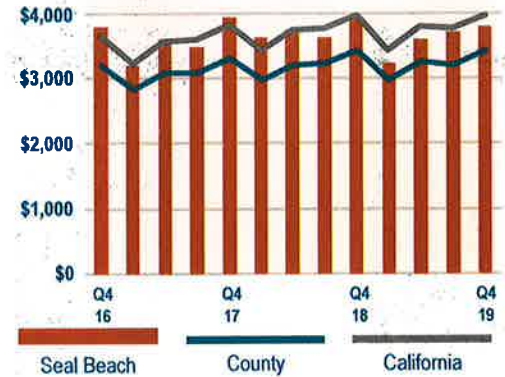
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

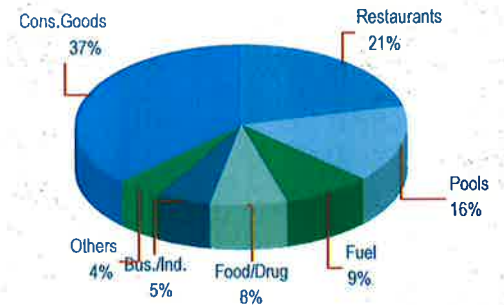
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**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
	Q4 '19	Change	Change	Change
Automotive Supply Stores	— CONFIDENTIAL —		0.1%	0.5%
Casual Dining	113,913	-10.4%	2.4%	3.8%
Department Stores	— CONFIDENTIAL —		3.7%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —		3.6%	3.6%
Drug Stores	— CONFIDENTIAL —		-0.8%	-0.7%
Family Apparel	61,284	39.6%	1.8%	1.3%
Fast-Casual Restaurants	25,502	-5.2%	4.2%	4.3%
Fine Dining	— CONFIDENTIAL —		0.9%	-2.9%
Grocery Stores	50,918	-11.5%	3.0%	1.3%
Home Furnishings	60,857	2.2%	-2.9%	-2.1%
Quick-Service Restaurants	65,422	4.4%	2.7%	1.9%
Service Stations	88,914	-8.6%	0.8%	0.2%
Specialty Stores	31,661	-14.8%	-6.0%	-3.8%
Sporting Goods/Bike Stores	24,967	4.3%	-8.0%	-3.1%
Women's Apparel	33,362	-8.4%	-0.3%	-4.8%
<b>Total All Accounts</b>	<b>951,879</b>	<b>-4.3%</b>	<b>0.0%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>177,666</b>	<b>29.1%</b>	<b>30.3%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>1,129,545</b>	<b>-0.3%</b>	<b>5.3%</b>	<b>4.2%</b>

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