Q1 2019

City of Seal Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Seal Beach In Brief

Seal Beach's receipts from January through March were 0.6% below the first sales period in 2018. Excluding reporting aberrations, actual sales were down 11.1%.

Most of the State's software-driven payment issues appear to have been resolved, but double-up payments and missing payments in the comparison quarter are distorting cash totals.

Motorists in the West Coast region continue to pay some of the highest pump prices in the nation, however, prices remained slightly lower than the same period last year.

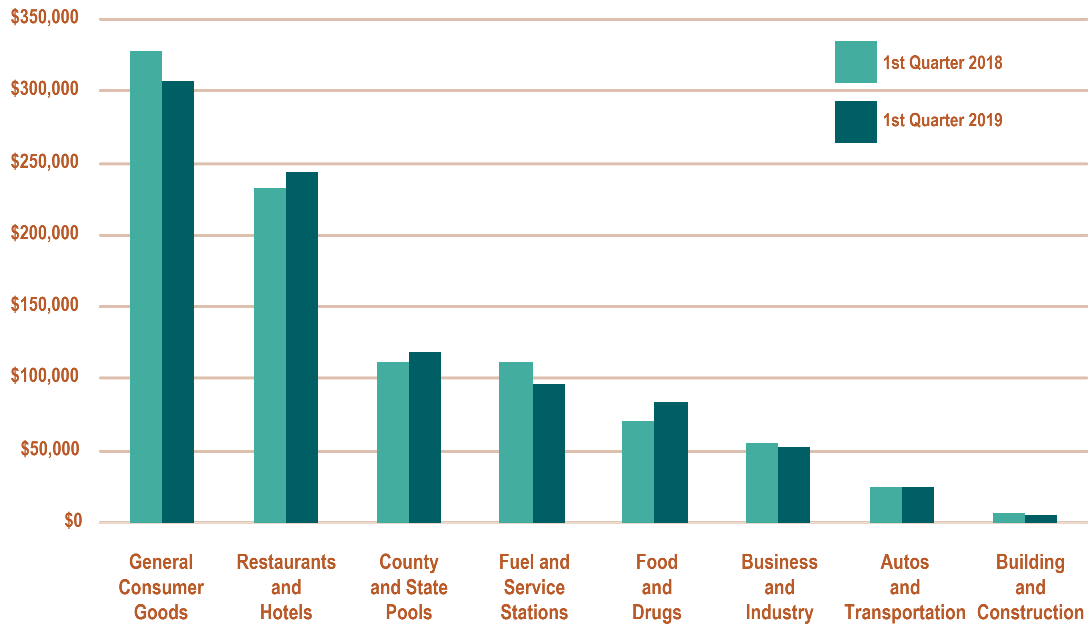
The phenomenon of brands selling directly to consumers through online stores continues, resulting in lower revenue from general consumer goods. Restaurant closures contributed to the decline in receipts from the restaurant-hotels group.

The business and industry sector reported a sluggish sales quarter, while totals from building-construction and autos-transportation remained flat.

The City's share of the countywide use tax pool increased 7.6% over the same period in the prior year.

Net of aberrations, taxable sales for all of Orange County grew 1.3% over the comparable time period; the Southern California region was up 0.9%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

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

Revenue Comparison

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

	2017-18	2018-19
Point-of-Sale	$2,662,633	$2,856,388
County Pool	353,657	395,961
State Pool	1,661	1,477
Gross Receipts	**$3,017,951**	**$3,253,826**

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NOTES

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

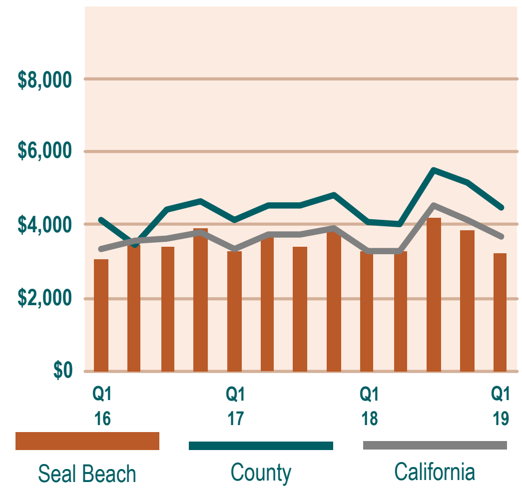
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



COUNTY OVERALL 1Q YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	23.7%	3.8%
Building and Construction	0.7%	-1.0%
Business and Industry	20.7%	4.3%
Food and Drugs	29.0%	0.2%
Fuel and Service Stations	-16.2%	1.5%
General Consumer Goods	7.2%	-4.1%
Restaurants and Hotels	8.8%	2.0%
County and State Pools	21.0%	3.8%
Total	**12.1%**	**1.3%**

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP

Seal Beach This Quarter