

CITY OF SEAL BEACH

SALES TAX UPDATE

3Q 2023 (JULY - SEPTEMBER)



SEAL BEACH

TOTAL: \$ 1,172,870

-3.8%

3Q2023



-1.1%

COUNTY



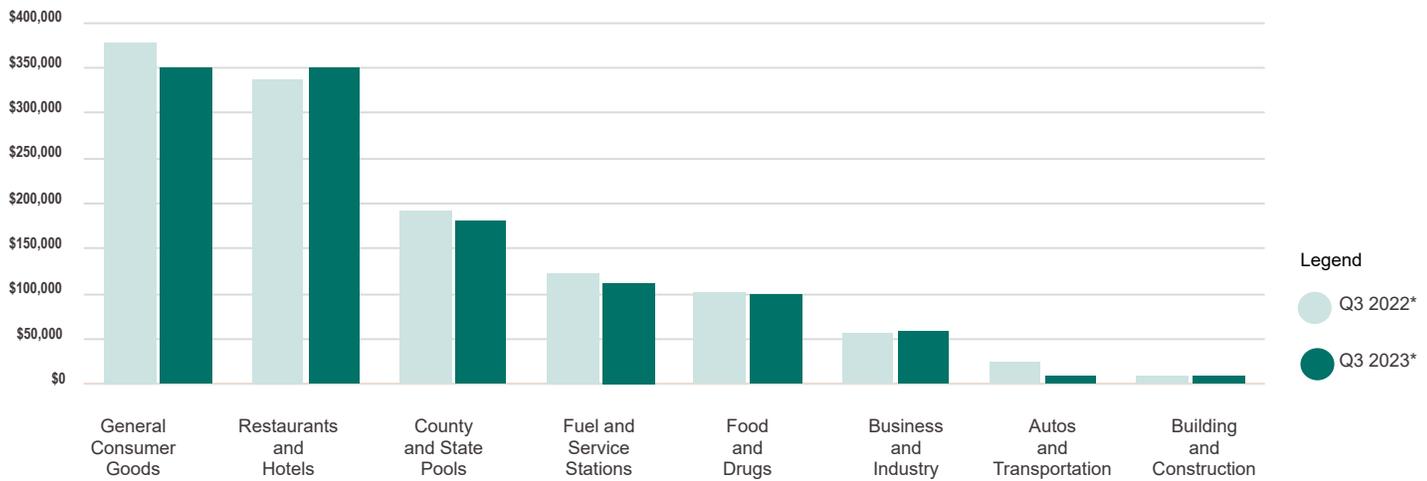
-1.6%

STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure BB

TOTAL: \$1,592,813

↓ -0.5%



CITY OF SEAL BEACH HIGHLIGHTS

Seal Beach's receipts from July through September were 5.5% below the third sales period in 2022. Excluding reporting aberrations, actual sales were down 3.8%.

Expectations are that financing costs will gradually decline leading to growth in 2024. This quarter, the largest drop came from the City's top sector, general consumer goods, including sporting goods and electronics/appliance stores.

Statewide, this industry experienced a mild contraction in tax payments, driven by tighter family budgets, elevated interest rates, diminished savings, and the anticipation of student loan debt payments restarting.

Results from autos & transportation, service stations, convenience stores, building & construction, and the state and county pools were also down.

Returns from family apparel, casual dining and quick service restaurants, and office supplies/furniture increased and combined to offset the net quarterly loss.

Transaction and Use Tax Measure BB generated 136.3% of the Bradley Burns amount, led by solid performance from autos & transportation.

Net of aberrations, taxable sales for all of Orange County declined 1.1% over the comparable time period; the Southern California region was down 1.4%.



TOP 25 PRODUCERS

- 76
- Beach House At The River
- Boeing
- Burlington
- Chevron
- Chick Fil A
- CVS Pharmacy
- Hoffs Hut
- Home Goods
- In N Out Burger
- Islands
- Kohls
- Marshalls
- Mobil
- Old Ranch Country Club
- Pavilions
- Petsmart
- Ralphs
- Roger Dunn Golf Shops
- Spaghettini
- Staples
- Target
- Tyr Sport
- Ulta Beauty
- Walts Wharf



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

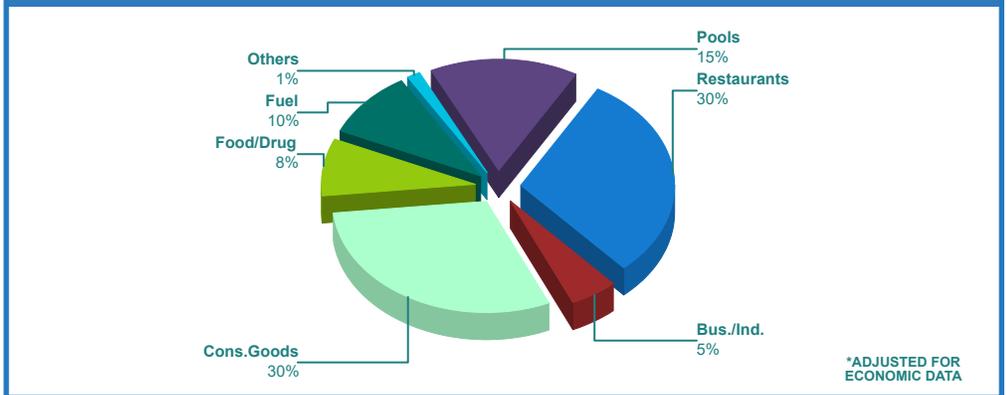
Despite continued increases of new car registrations, revenue from the auto-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for 'fast food restaurants'.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingering consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

REVENUE BY BUSINESS GROUP Seal Beach This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

| Seal Beach Business Type | Q3 '23 | Change | County Change | HdL State Change |
|------------------------------|---------|----------|---------------|------------------|
| Casual Dining | 189,510 | 5.4% ↑ | 2.5% ↑ | 2.8% ↑ |
| Service Stations | 106,795 | -8.8% ↓ | -5.9% ↓ | -7.4% ↓ |
| Quick-Service Restaurants | 81,485 | 5.8% ↑ | 3.7% ↑ | 2.7% ↑ |
| Family Apparel | 57,435 | 11.2% ↑ | -4.1% ↓ | 3.1% ↑ |
| Specialty Stores | 33,919 | -4.1% ↓ | -3.8% ↓ | -2.0% ↓ |
| Sporting Goods/Bike Stores | 33,482 | -14.5% ↓ | -7.8% ↓ | -4.8% ↓ |
| Fast-Casual Restaurants | 29,850 | -2.2% ↓ | 1.4% ↑ | 3.3% ↑ |
| Women's Apparel | 24,743 | -2.6% ↓ | -2.7% ↓ | -3.3% ↓ |
| Electronics/Appliance Stores | 14,828 | -22.2% ↓ | -15.1% ↓ | -14.1% ↓ |
| Convenience Stores/Liquor | 10,183 | -25.1% ↓ | -10.8% ↓ | -9.9% ↓ |

*Allocation aberrations have been adjusted to reflect sales activity