

CITY OF SEAL BEACH

SALES TAX UPDATE

2Q 2024 (APRIL - JUNE)



SEAL BEACH

TOTAL: \$ 1,213,284

-7.0%

2Q2024



-2.8%

COUNTY



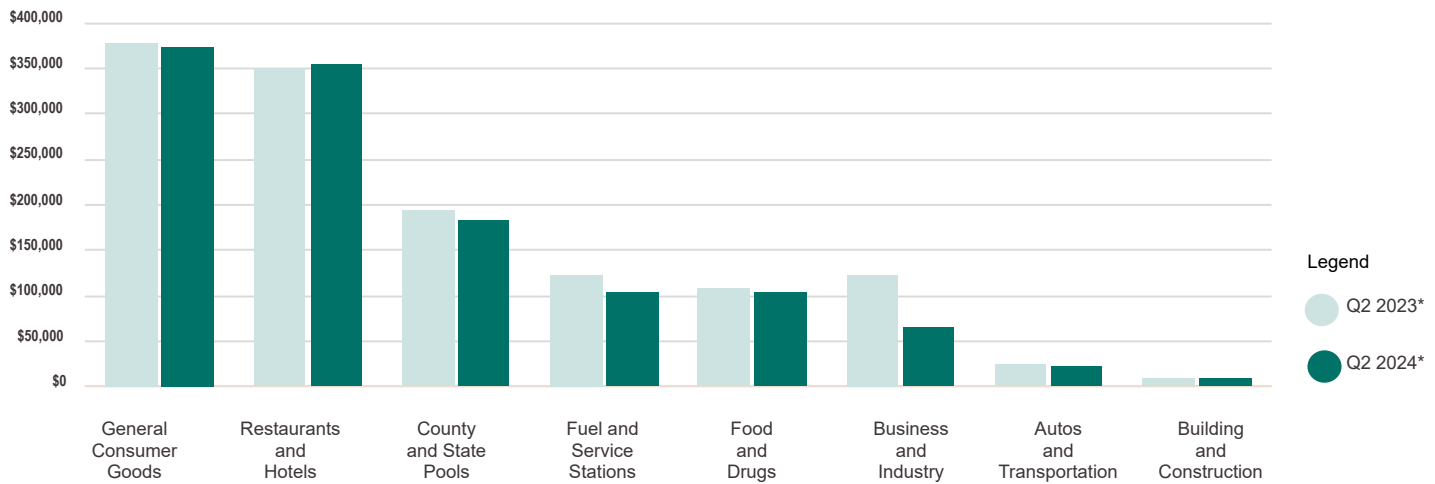
-0.7%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure BB

TOTAL: \$1,587,528

↓ -2.2%



CITY OF SEAL BEACH HIGHLIGHTS

Seal Beach's receipts from April through June were 7.5% below the second sales period in 2023. Excluding reporting aberrations, actual sales were down 7.0%.

The Federal Reserve has begun to reduce interest rates, which is a sign that inflation is near expectations. The upcoming holiday season may not see much of an uptick due to consumers focusing on essential items.

The City experienced the largest decline in the business-industry sector. This group is difficult to predict, due to the wide variety of unique tax segments. Returns from fuel-service stations, convenience stores, sporting goods/bike

stores, autos-transportation, and the state and county pools were also down.

On the positive side, receipts from home furnishings, restaurants-hotels, and building-construction increased. When combined they helped to offset the overall net quarterly loss.

The City's Transaction and Use Tax Measure BB generated 131.4% of the Bradley Burns amount, led by the strongest percentage gain from the building-construction sector.

Net of aberrations, taxable sales for all of Orange County declined 2.8% over the comparable time period; the Southern California region was down 0.5%.



TOP 25 PRODUCERS

- | | |
|------------------------------|------------------------|
| 76 | Marshalls |
| Boeing | Mobil |
| Burlington | Old Ranch Country Club |
| California Pizza Kitchen | Original Parts Group |
| Chevron | Pavilions |
| Chick Fil A | Petsmart |
| Crate Barrel Outlet | Ralphs |
| CVS Pharmacy | Roger Dunn Golf Shops |
| Hofs Hut Restaurant & Bakery | Spaghettini |
| Home Goods | Target |
| In N Out Burger | Ulta Beauty |
| Islands | |
| Kobe Japanese Steakhouse | |
| Kohls | |



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of April through June were 0.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year second quarter is traditionally the beginning of the summer spending season; however, returns were relatively flat when compared to a year ago. For many California agencies, this also marks the end of the 2023-24 fiscal year, where statewide sales tax revenues were down 1.3% from the 2022-23 fiscal year.

Consistent with recent trends, auto-transportation receipts fell 6.2% - the largest sector decline this quarter. Sustained high interest rates, tightened credit standards, and increased cost of insurance all converged to impact returns. While inventory-levels for many dealerships have rebounded, it's only proving to create downward pressure on prices, further constraining receipts.

Summer weather usually marks fruitful periods for building-construction, however as property owners struggle to access equity for improvements, year-over-year receipts declined. The price of lumber and other materials are now more affordable, but new projects have been sidelined by developers until financing and mortgage costs drop further.

Similarly, as the price of consumer goods has cooled with moderate inflation rates, returns from multiple merchants have curtailed. Men's and women's apparel, home furnishings, electronic-appliance and specialty stores could not escape the change in shopper's preferences for lower priced items from large brick-and-mortar retailers like discount department stores.

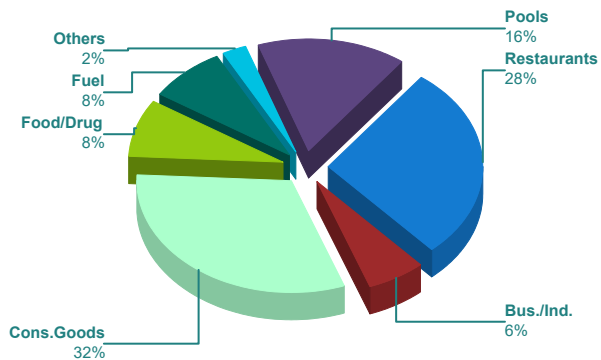
Restaurants experienced only a modest

gain of 0.7%. As AB 1228 is enacted - state law increasing California's minimum wage at designated eateries - third party data reports that foot traffic to all such establishments decreased during this same time period. Not only are diners selecting less expensive places to eat, but many may have been pushed to limit their frequency to dine out.

Multiple of sectors experienced mild growth including allocations from the countywide use tax pool and the business-industrial group, both benefiting from online shopping, and fuel-service stations as drivers continue to hit the road even as gas prices remain elevated.

Halfway through the current calendar year, revenue trends remain slightly lower than a year ago overall. Although the Federal Reserve recently reduced the Fed Funds Rate helping temper the cost of financing, personal consumption forecasts remain insipid through the remainder of 2024. Consumers are more likely to wait for greater improvement of household economic conditions before extending themselves again, inspiring the next sales tax growth cycle.

REVENUE BY BUSINESS GROUP Seal Beach This Fiscal Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Seal Beach Business Type	Q2 '24*	Change	County Change	HdL State Change
Casual Dining	193.6	-0.3% ↓	0.1% ↑	0.7% ↑
Service Stations	100.5	0.0% ↓	0.4% ↑	2.3% ↑
Quick-Service Restaurants	80.2	3.2% ↑	2.9% ↑	1.2% ↑
Family Apparel	58.6	0.3% ↑	-1.9% ↓	0.9% ↑
Home Furnishings	56.9	27.1% ↑	-1.0% ↓	-8.2% ↓
Sporting Goods/Bike Stores	34.9	-18.0% ↓	9.2% ↑	-0.3% ↓
Specialty Stores	34.6	-3.1% ↓	-3.5% ↓	-4.6% ↓
Fast-Casual Restaurants	27.7	-4.1% ↓	2.4% ↑	3.2% ↑
Women's Apparel	23.0	-15.6% ↓	-6.3% ↓	-6.6% ↓
Electronics/Appliance Stores	14.8	0.6% ↑	-17.4% ↓	-10.2% ↓

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars