

# Q1 2014



# Manhattan Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

## Manhattan Beach In Brief

Receipts for Manhattan Beach's January through March sales were 10.5% lower than the same quarter one year ago. Actual sales activity was down 5.4% when reporting aberrations were factored out.

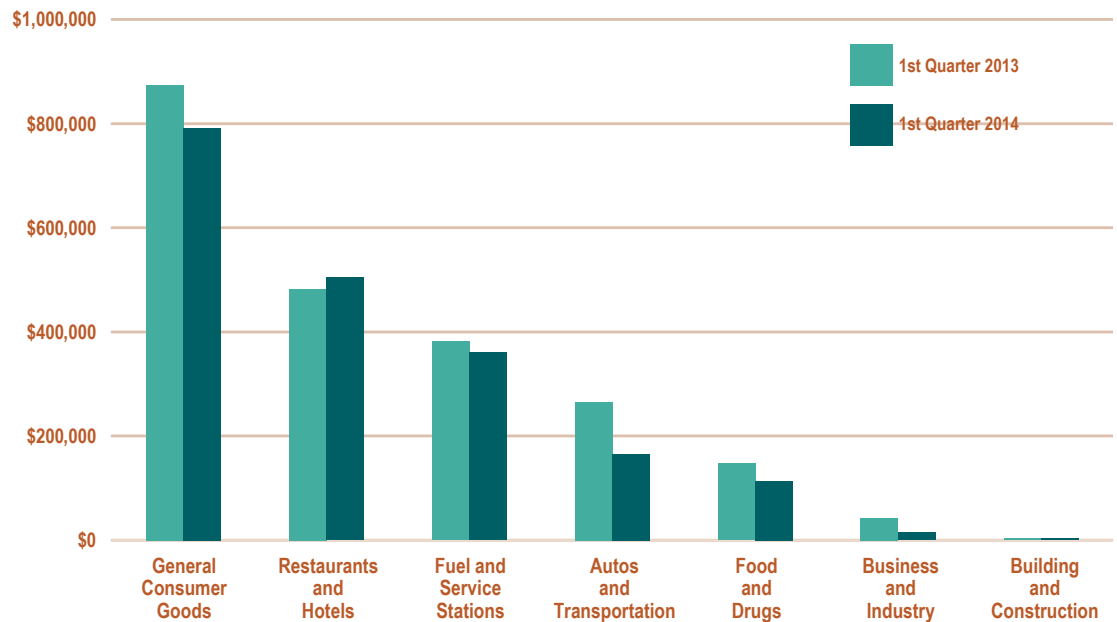
Despite several new business additions, overall general consumer goods results were negative due to poor sales from several categories. Payment anomalies and accounting adjustments negatively impacted both food and drugs and business and industry.

Lower fuel prices depressed fuel and service station returns while a lower allocation from the county-wide use tax pool further contributed to the decrease.

The losses were partially offset by new eatery openings and net higher sales from most restaurant and hotel segments.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 3.5% over the comparable time period, while the Southern California region as a whole was up 3.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

|                          |                              |
|--------------------------|------------------------------|
| Apple Store              | Manhattan Beach Post         |
| Arco                     | Manhattan Beach Toyota Scion |
| AT&T Mobility            | Office Depot                 |
| Barnes & Noble           | Old Navy                     |
| BevMo                    | Olive Garden                 |
| Chevron                  | REI                          |
| Circle K                 | Sephora                      |
| CVS Pharmacy             | Strand House Standbar        |
| Dewitt Petroleum         | Target                       |
| Frys Electronics         | Tin Roof Bistro              |
| Houston's                | Trader Joes                  |
| Kettle                   |                              |
| Macys                    |                              |
| Manhattan Beach Marriott |                              |

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

|                       | 2012-13            | 2013-14            |
|-----------------------|--------------------|--------------------|
| Point-of-Sale         | \$8,909,182        | \$8,661,254        |
| County Pool           | 1,062,994          | 1,032,678          |
| State Pool            | 4,654              | 5,786              |
| <b>Gross Receipts</b> | <b>\$9,976,830</b> | <b>\$9,699,719</b> |
| Less Triple Flip*     | \$(2,494,208)      | \$(2,424,930)      |

\*Reimbursed from county compensation fund

**Statewide Results**

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

**Sales Tax and the Drought**

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

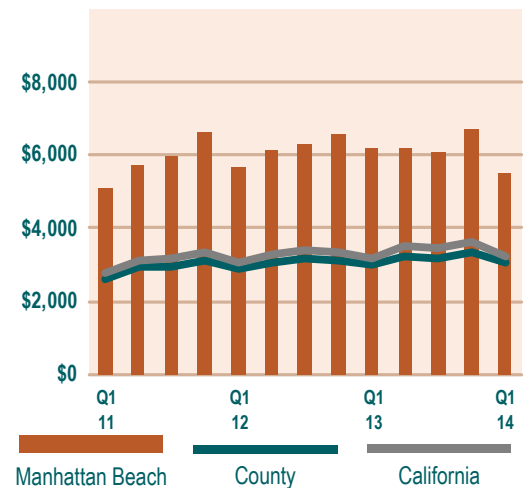
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

**SALES PER CAPITA**



**MANHATTAN BEACH TOP 15 BUSINESS TYPES**

| Business Type                             | *In thousands           |                        |               |                  |
|---|-------------------------|------------------------|---------------|------------------|
|   | Manhattan Beach Q1 '14* | Manhattan Beach Change | County Change | HdL State Change |
| Casual Dining                             | 281.3                   | 11.0%                  | 6.3%          | 6.6%             |
| Department Stores                         | 79.7                    | -4.2%                  | -3.2%         | -5.1%            |
| Discount Dept Stores                      | — CONFIDENTIAL —        | —                      | -2.9%         | -2.6%            |
| Electronics/Appliance Stores              | 201.5                   | -19.8%                 | 7.7%          | 2.5%             |
| Family Apparel                            | 62.5                    | 6.8%                   | -3.7%         | -3.3%            |
| Fast-Casual Restaurants                   | 42.1                    | 10.1%                  | 7.8%          | 10.2%            |
| Fine Dining                               | 100.8                   | -13.2%                 | 13.4%         | 13.4%            |
| Grocery Stores Liquor                     | 46.9                    | -40.3%                 | -34.4%        | -14.2%           |
| Home Furnishings                          | 42.2                    | -2.0%                  | 7.2%          | 6.8%             |
| New Motor Vehicle Dealers                 | — CONFIDENTIAL —        | —                      | 10.0%         | 9.4%             |
| Petroleum Prod/Equipment                  | — CONFIDENTIAL —        | —                      | 8.1%          | -5.6%            |
| Service Stations                          | 108.5                   | -1.3%                  | -3.6%         | -1.0%            |
| Specialty Stores                          | 73.7                    | 5.4%                   | 2.7%          | 2.8%             |
| Sporting Goods/Bike Stores                | 42.0                    | -9.7%                  | -3.3%         | -6.0%            |
| Women's Apparel                           | 70.6                    | -6.4%                  | 3.7%          | -4.9%            |
| <b>Total All Accounts</b>                 | <b>\$1,953.0</b>        | <b>-11.2%</b>          | <b>1.8%</b>   | <b>3.2%</b>      |
| <b>County &amp; State Pool Allocation</b> | <b>\$246.2</b>          | <b>-4.7%</b>           | <b>9.2%</b>   | <b>7.7%</b>      |
| <b>Gross Receipts</b>                     | <b>\$2,199.1</b>        | <b>-10.5%</b>          | <b>2.5%</b>   | <b>3.7%</b>      |