

Q4 2019



Manhattan Beach Sales Tax *Update*

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

Manhattan Beach In Brief

Manhattan Beach's receipts from October through December were 4.4% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 2.2%.

The continued success of county-wide use tax pool sales contributed significantly to the gain for this quarter. Casual dining sales were also up.

An uptick in the fuel service stations sector and grocery store returns also provided a boost.

The enhanced quarterly returns were partially offset by a reduction in general consumer goods, including family and women's apparel.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.8% 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

Apple	Old Navy
Barnes & Noble	Ralphs Fresh Fare
BevMo	REI
Chevron	Sephora
Circle K	Skechers by Mail
CVS Pharmacy	Strand House Standbar
Houston's	Target
Kettle	Tin Roof Bistro
Macys	Toyota Lease Trust
Manhattan Beach Toyota Scion	Trader Joes
Marriott Manhattan Beach Hotel	True Religion Brand Jeans
Nick's Manhattan Beach	Vons
	Wrights

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$4,471,356	\$4,349,140
County Pool	630,284	784,374
State Pool	2,235	1,960
Gross Receipts	\$5,103,876	\$5,135,474

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.

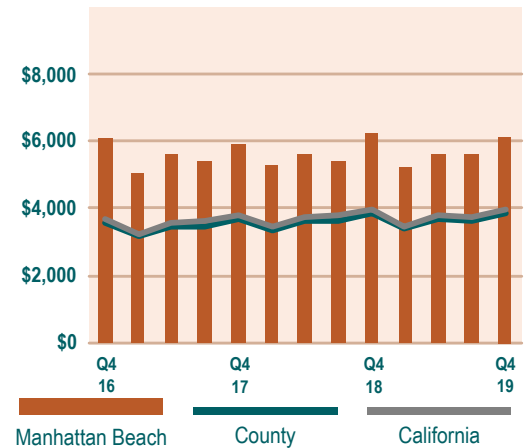
Covid-19

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.

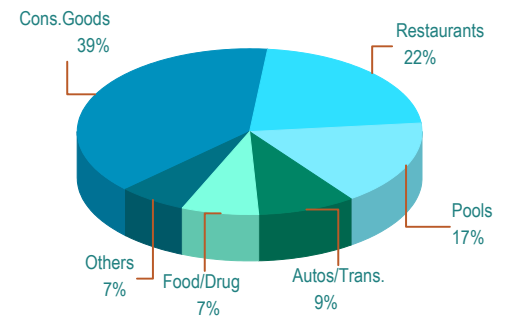
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is 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
Manhattan Beach This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

MANHATTAN BEACH TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Manhattan Beach Q4 '19*	Manhattan Beach Change	County Change	HdL State Change
Casual Dining	290.1	11.0%	4.3%	3.8%
Convenience Stores/Liquor	52.1	0.9%	0.8%	-0.1%
Department Stores	— CONFIDENTIAL —	—	0.2%	-4.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.8%	3.5%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	-6.1%	-6.6%
Family Apparel	118.8	-21.9%	-1.2%	1.3%
Fine Dining	140.0	-0.6%	-0.6%	-2.9%
Grocery Stores	97.7	5.6%	0.7%	1.3%
Home Furnishings	65.7	14.7%	-3.2%	-2.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-0.9%	-3.4%
Quick-Service Restaurants	51.0	-1.7%	0.6%	1.9%
Service Stations	92.6	2.1%	-0.1%	0.2%
Specialty Stores	82.8	-4.3%	-1.0%	-3.8%
Sporting Goods/Bike Stores	— CONFIDENTIAL —	—	-7.8%	-3.1%
Women's Apparel	47.3	-18.0%	-2.4%	-4.8%
Total All Accounts	2,206.2	-1.5%	0.2%	0.2%
County & State Pool Allocation	444.3	25.8%	26.7%	26.7%
Gross Receipts	2,650.5	2.2%	3.8%	4.2%

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