

Q1 2020



Manhattan Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Manhattan Beach In Brief

Manhattan Beach's receipts from January through March were 28.4% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 10.4%.

COVID-19 pushed sales down in most major industry groups this quarter. The largest drops were realized within general consumer goods including family apparel and specialty shops.

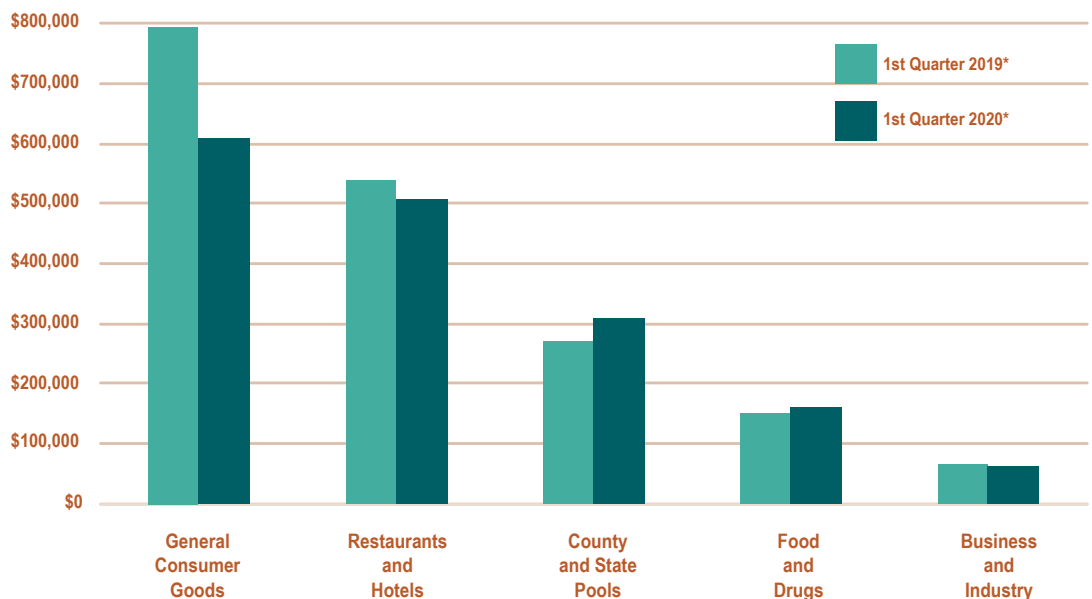
As expected, the shelter in place restrictions placed on the dining and hotel industry significantly negatively impacted fine and casual dining, and fuel consumption was ground to a halt.

Autos and transportation returns were also hit hard.

In spite of a downward push on cash this quarter, the City's county-wide use tax allocation helped offset the overall loss. Grocery store receipts resulting from consumers storing up and food and safety supplies were also positive.

Net of aberrations, taxable sales for all of Los Angeles County declined 5.3% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Olive Garden
BevMo	P1 Technologies
Chevron	Ralphs Fresh Fare
Circle K	REI
CVS Pharmacy	Sephora
Houston's	Strand House Standbar
Kettle	Target
Macys	Tin Roof Bistro
Manhattan Beach Toyota Scion	Toyota Lease Trust
Manhattan Gas & Mart	Trader Joes
Marriott Manhattan Beach Hotel	True Religion Brand Jeans
Nick's Manhattan Beach	Vons
	Wrights

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$6,334,121	\$5,581,876
County Pool	909,203	1,085,243
State Pool	3,290	3,073
Gross Receipts	\$7,246,614	\$6,670,193

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

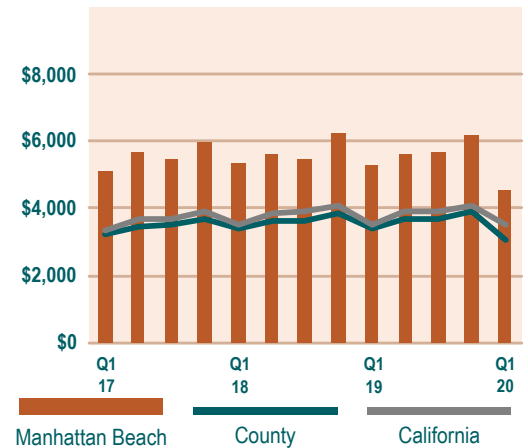
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

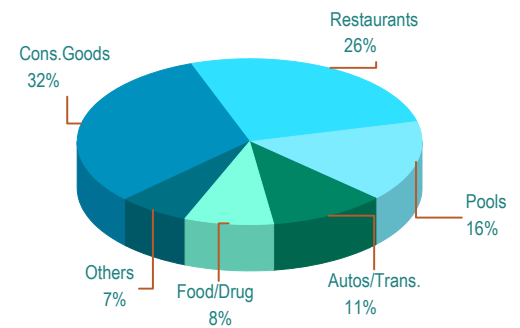
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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 Q1 '20*	Change	County Change	HdL State Change
Casual Dining	255.9	-1.8%	-19.4%	-18.8%
Convenience Stores/Liquor	36.8	6.3%	-6.5%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —	—	3.0%	3.2%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	-17.7%	-18.0%
Family Apparel	63.5	-42.2%	-22.6%	-21.1%
Fast-Casual Restaurants	35.7	-15.8%	-10.5%	-9.9%
Fine Dining	129.4	-7.2%	-24.8%	-24.1%
Grocery Stores	90.7	9.2%	9.3%	11.8%
Home Furnishings	39.9	0.2%	-13.1%	-13.0%
Hotels-Liquor	39.6	7.4%	-23.2%	-28.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-11.1%	-10.6%
Quick-Service Restaurants	44.9	-7.4%	-9.5%	-8.5%
Service Stations	60.9	-24.1%	-10.3%	-9.5%
Specialty Stores	57.8	-9.3%	-10.1%	-10.1%
Sporting Goods/Bike Stores	— CONFIDENTIAL —	—	-9.5%	-10.3%
Total All Accounts	1,610.2	-14.0%	-9.9%	-7.3%
County & State Pool Allocation	307.9	14.3%	25.6%	22.4%
Gross Receipts	1,918.1	-10.4%	-5.3%	-3.0%

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