

MANHATTAN BEACH

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



MANHATTAN BEACH

TOTAL: \$ 1,879,872

-20.2%

3Q2020



-6.0%

COUNTY



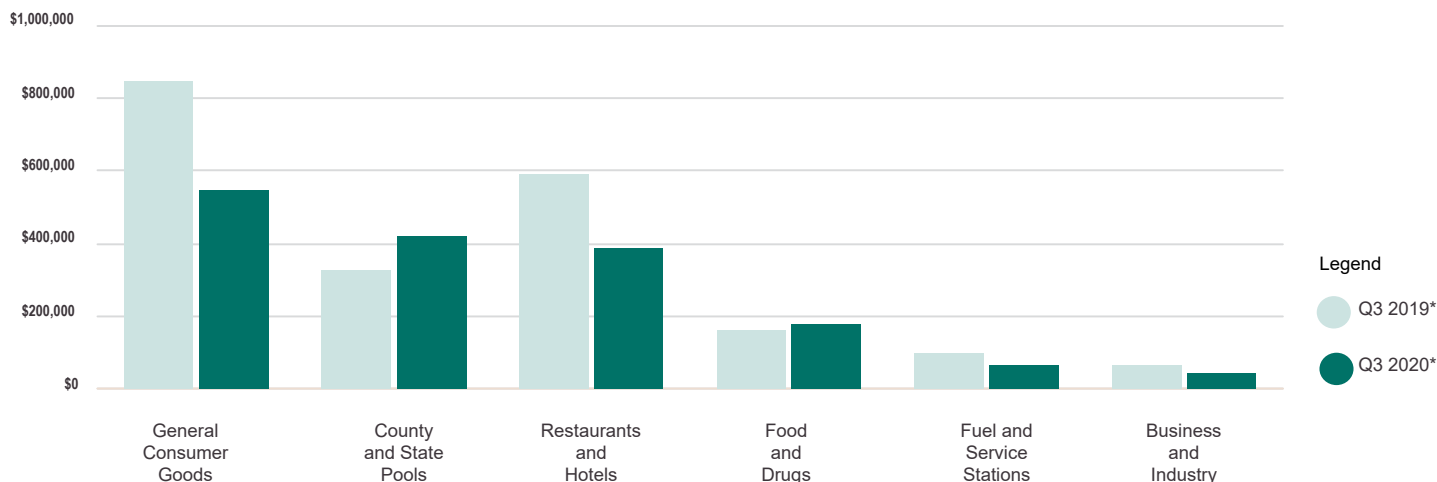
-0.9%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



MANHATTAN BEACH HIGHLIGHTS

Manhattan Beach's allocation of sales and use tax from its July through September was 15.1% lower than the third quarter of 2019. Actual sales activity was down 20.2% after back payments and other accounting anomalies are factored out.

COVID-19 pandemic restrictions and concerns continued to impact sales of most categories of general consumer goods and restaurants though part of the loss was offset by rising receipts from the countywide use tax pool where taxes on goods shipped from out-of-state are allocated.

Accelerating consumer shifts to shopping online generated substantial gains in the City's 0.5% share of the pool.

Other offsets included a solid quarter for grocers, liquor and online retailers whose order desks are located in Manhattan Beach.

Adjusted for deferred payments and accounting aberrations, sales and use tax receipts for all of Los Angeles County declined 6.0% over the comparable time period while the Southern California region as a whole, was down 1.5%.



TOP 25 PRODUCERS

- | | |
|------------------------|--------------------|
| BevMo | The Arthur J |
| Chevron | Tin Roof Bistro |
| Circle K | Toyota Lease Trust |
| CVS Pharmacy | Trader Joes |
| Gelsons Markets | Vons |
| Kettle | Wrights |
| Macys | |
| Manhattan Beach | |
| Toyota Scion | |
| McDonalds | |
| Nick's Manhattan Beach | |
| Office Depot | |
| Old Navy | |
| Ralphs Fresh Fare | |
| REI | |
| Skechers by Mail | |
| Solvent Direct | |
| Strand House Standbar | |
| Sugarfish | |
| Target | |



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last year's implementation of the

Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

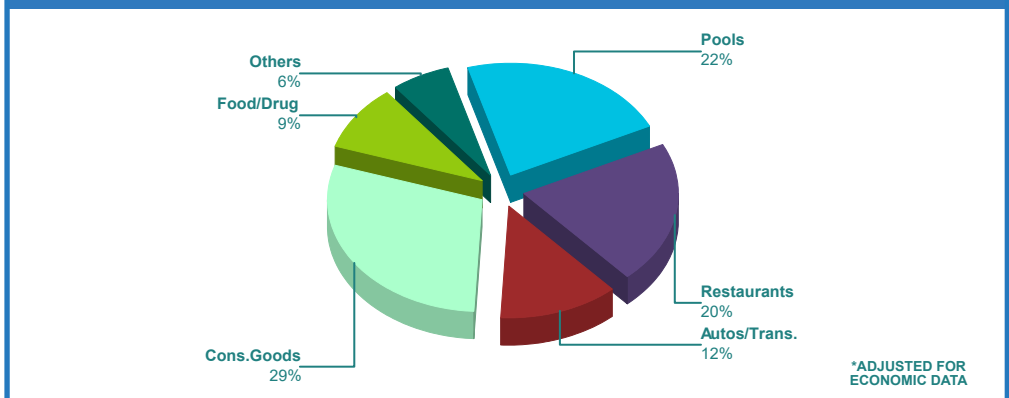
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up of each jurisdiction's tax base.

Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP
Manhattan Beach This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Manhattan Beach Business Type	Q3 '20*	Change	County Change	HdL State Change
Casual Dining	208.4	-31.1% ↓	-41.9% ↓	-37.9% ↓
Grocery Stores	97.8	12.8% ↑	5.2% ↑	7.2% ↑
Fine Dining	84.0	-42.1% ↓	-50.8% ↓	-51.2% ↓
Sporting Goods/Bike Stores	63.4	7.2% ↑	15.1% ↑	22.1% ↑
Family Apparel	62.1	-37.7% ↓	-25.1% ↓	-24.4% ↓
Convenience Stores/Liquor	49.8	10.7% ↑	15.7% ↑	14.9% ↑
Service Stations	48.8	-47.2% ↓	-34.8% ↓	-29.0% ↓
Quick-Service Restaurants	47.6	-13.9% ↓	-13.7% ↓	-10.3% ↓
Specialty Stores	39.2	-43.2% ↓	-13.0% ↓	-8.5% ↓
Home Furnishings	38.0	-38.9% ↓	-8.6% ↓	-3.3% ↓

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars