

CITY OF MANHATTAN BEACH

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



MANHATTAN BEACH

TOTAL: \$ 2,856,651

5.2%

2Q2023



-4.2%

COUNTY



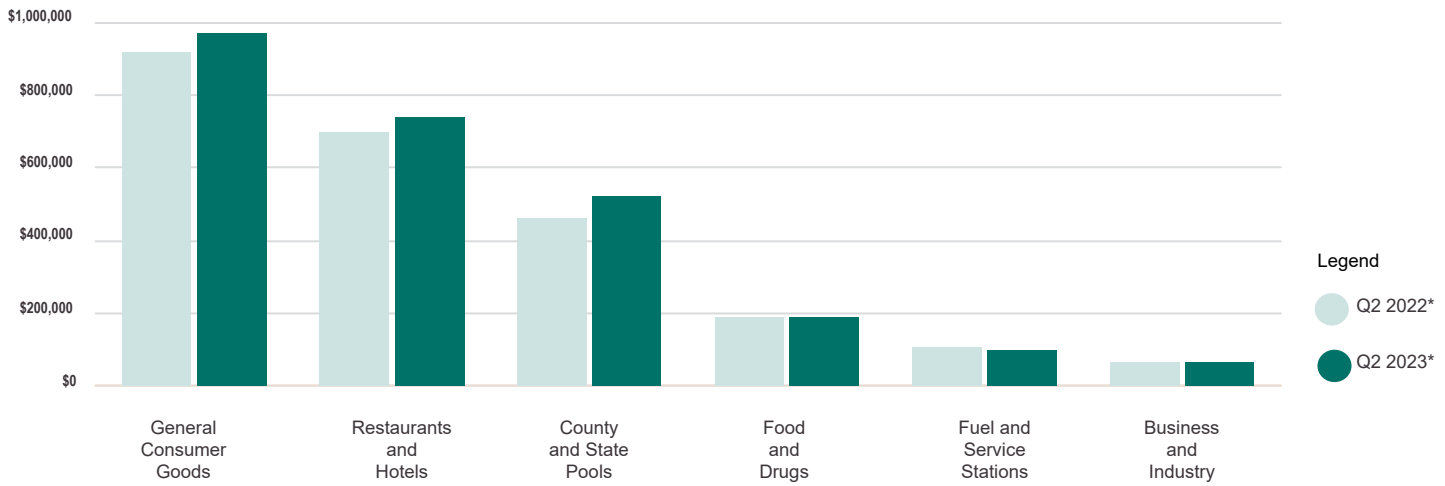
-2.9%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF MANHATTAN BEACH HIGHLIGHTS

Manhattan Beach's receipts from April through June were 11.4% above the second sales period in 2022. Excluding reporting aberrations, actual sales were up 5.2%.

Even with inflation at higher levels and the Federal Reserve's attempts to throttle back the economy by increasing interest rates, the City maintained a favorable trajectory with an increase of 5.2% for the quarter. This far surpasses the state and county quarterly results.

Restaurants, the City's second largest sector, continued to have strong results as consumers overlooked higher menu pricing and pushed the sector to a 5.9% gain. Countering the economic slowdown, general consumer goods pushed forward with most sub-sectors posting solid gains.

Fuel-service stations are now being compared to historic pricing of 2022,

such that statewide fuel is down 20.1%. The City followed the trend as fuel-service station revenue was down 11.8%. Business-industry and building-construction faced downward economic pressure as businesses and homeowners pulled back on projects, such as remodels, as consumers are hesitant to take on large projects given the current economy.

Autos-transportation experienced a mix of outcomes within the different sub-sectors but managed to end the quarter in a positive position.

The positive performance for the quarter allowed the City to receive a larger allocation from the countywide use tax pool by 12.6%.

Net of aberrations, taxable sales for the Southern California region was down 2.9% over the comparable time period.



TOP 25 PRODUCERS

- Apple
- Arco AM PM
- BevMo
- California Pizza Kitchen
- Chevron
- CVS Pharmacy
- Joey Manhattan Beach
- Kettle
- Macy's
- Manhattan Beach
- Toyota Scion
- Marriott Manhattan Beach Hotel
- Nick's Manhattan Beach
- Old Navy
- Olive Garden
- Ralphs Fresh Fare
- REI
- Sephora
- Skechers by Mail
- Strand House Standbar
- Sushi Roku
- Target
- The Arthur J
- Tin Roof Bistro
- Trader Joe's
- Wrights



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

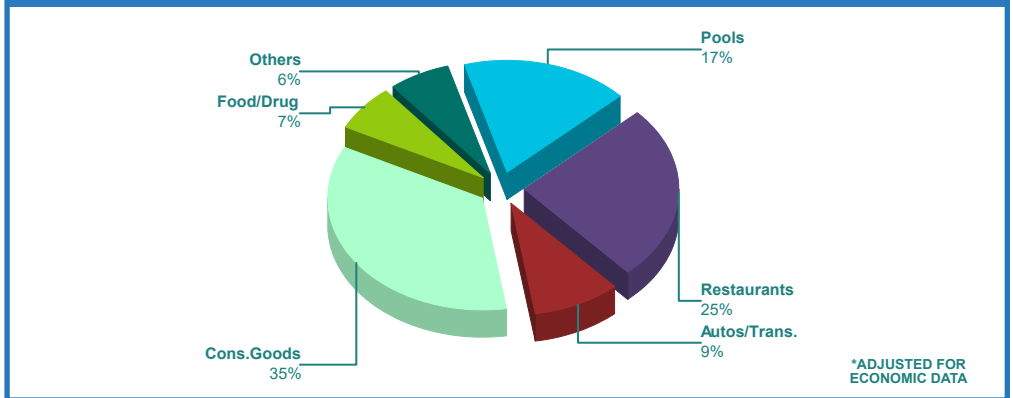
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

REVENUE BY BUSINESS GROUP Manhattan Beach This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Manhattan Beach Business Type	Q2 '23*	Change	County Change	HdL State Change
Casual Dining	461.9	10.1% ↑	5.7% ↑	4.6% ↑
Family Apparel	137.7	18.7% ↑	-2.6% ↓	-1.0% ↓
Fine Dining	127.8	-4.2% ↓	-5.5% ↓	-5.2% ↓
Grocery Stores	112.6	4.5% ↑	3.4% ↑	2.9% ↑
Specialty Stores	87.5	12.5% ↑	1.2% ↑	-1.3% ↓
Sporting Goods/Bike Stores	85.5	1.9% ↑	-7.4% ↓	-9.2% ↓
Service Stations	83.2	-17.8% ↓	-21.7% ↓	-19.9% ↓
Quick-Service Restaurants	55.7	3.5% ↑	2.7% ↑	3.2% ↑
Home Furnishings	52.1	-25.4% ↓	-10.9% ↓	-11.1% ↓
Fast-Casual Restaurants	43.6	-8.2% ↓	3.1% ↑	3.7% ↑

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