

CITY OF SANTA MONICA

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



SANTA MONICA

TOTAL: \$ 10,377,083

-0.6%

2Q2023



-4.2%

COUNTY



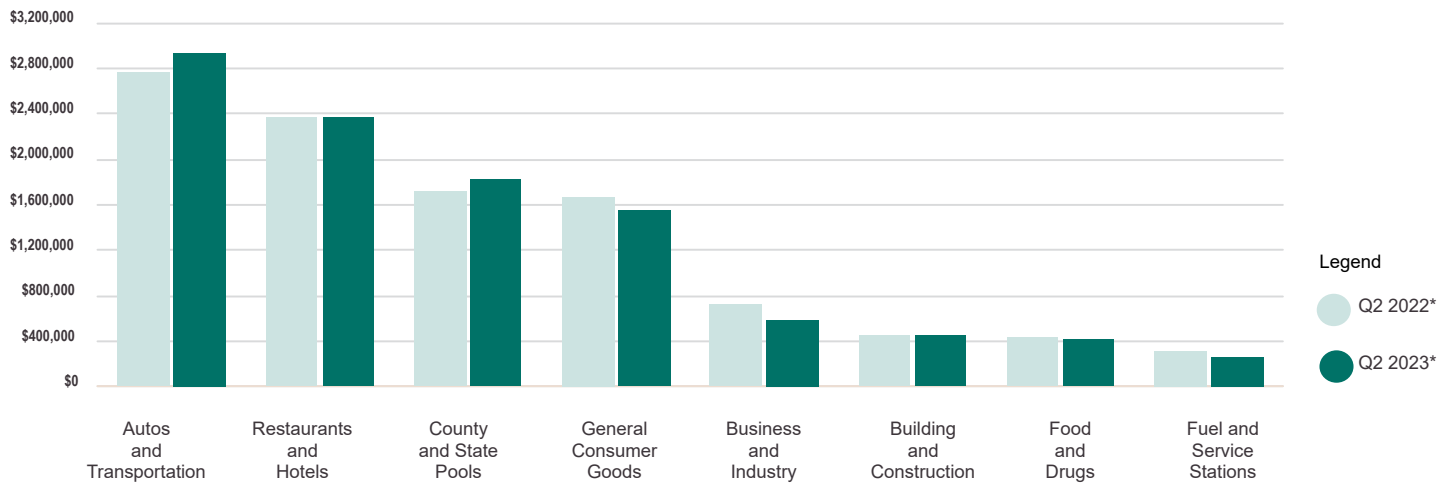
-2.9%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



TUT GSH

TOTAL: \$9,119,044

↓ -1.3%



CITY OF SANTA MONICA HIGHLIGHTS

Santa Monica's gross receipts from April through June 2023 were 5% above the second sales period in 2022. However, after adjusting for reporting modifications such as audit corrections and delayed payments, actual sales were down 0.6%. Results were somewhat mixed across the various sales tax categories.

Bucking the statewide downward trend, new car sales jumped 8% as consumers snapped up inventory – even with high financing prices. Although the countywide use tax pool declined due to waning ecommerce and third-party auto sales, the City's allocation increased 6.1% as its pool share increased slightly.

Conversely, while quick service dining improved, casual and fine dining restaurants dipped, resulting in a no-growth quarter

for restaurants-hotels. A softening in retail spending pushed down general consumer goods.

Business-industry dropped 18.6%, partially due to comparison to a large onetime allocation a year ago. Fluctuations in the price of crude oil and lower consumption contributed to a nearly 20% drop in fuel-service station revenues.

The voter-approved district tax experienced similar results, with the largest decline in retail sales – and largest increase in building-construction sales.

Net of adjustments, taxable sales for all of Los Angeles County declined 4.2% and the Southern California region was down 2.9%.



TOP 25 PRODUCERS

- Apple
- Audi Bentley Leasing
- Bourget Bros Building Materials
- Daimler Trust
- Elephante
- Fairmont Miramar Hotel
- Ferguson Enterprises
- Genesis Santa Monica
- Honda Santa Monica
- Hyundai Santa Monica
- Jaguar Land Rover Santa Monica
- Lexus Santa Monica
- Mercedes Benz Vehicle Trust
- Michael Smith Design
- Pacific Park
- Ring
- Santa Monica Audi
- Santa Monica BMW
- Shutters on the Beach
- Snyder Diamond
- Subaru Santa Monica
- Tesla Motors
- Toyota Santa Monica
- Water Grill/Pier Burger
- WI Simonson Mercedes



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.

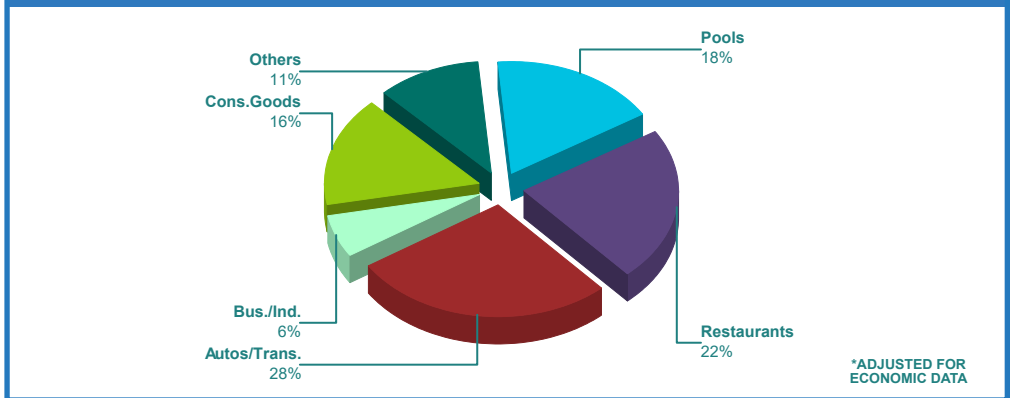
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets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



TOP NON-CONFIDENTIAL BUSINESS TYPES

Santa Monica Business Type	Q2 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,200.0	7.6% ↑	-3.6% ↓	-0.3% ↓
Casual Dining	972.3	-1.6% ↓	5.7% ↑	4.6% ↑
Auto Lease	493.1	7.9% ↑	2.0% ↑	3.6% ↑
Fine Dining	405.2	-9.0% ↓	-5.5% ↓	-5.2% ↓
Hotels/Motels	366.3	0.2% ↑	2.3% ↑	1.2% ↑
Plumbing/Electrical Supplies	302.1	-0.6% ↓	-3.1% ↓	-3.9% ↓
Family Apparel	286.6	-12.4% ↓	-2.6% ↓	-1.0% ↓
Quick-Service Restaurants	266.5	15.3% ↑	2.7% ↑	3.2% ↑
Grocery Stores	246.0	1.5% ↑	3.4% ↑	2.9% ↑
Business Services	237.2	27.7% ↑	0.4% ↑	-1.0% ↓

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