

CITY OF SANTA MONICA

SALES TAX UPDATE

2Q 2024 (APRIL - JUNE)



SANTA MONICA

TOTAL: \$ 9,541,089

-6.9%

2Q2024



-0.5%

COUNTY



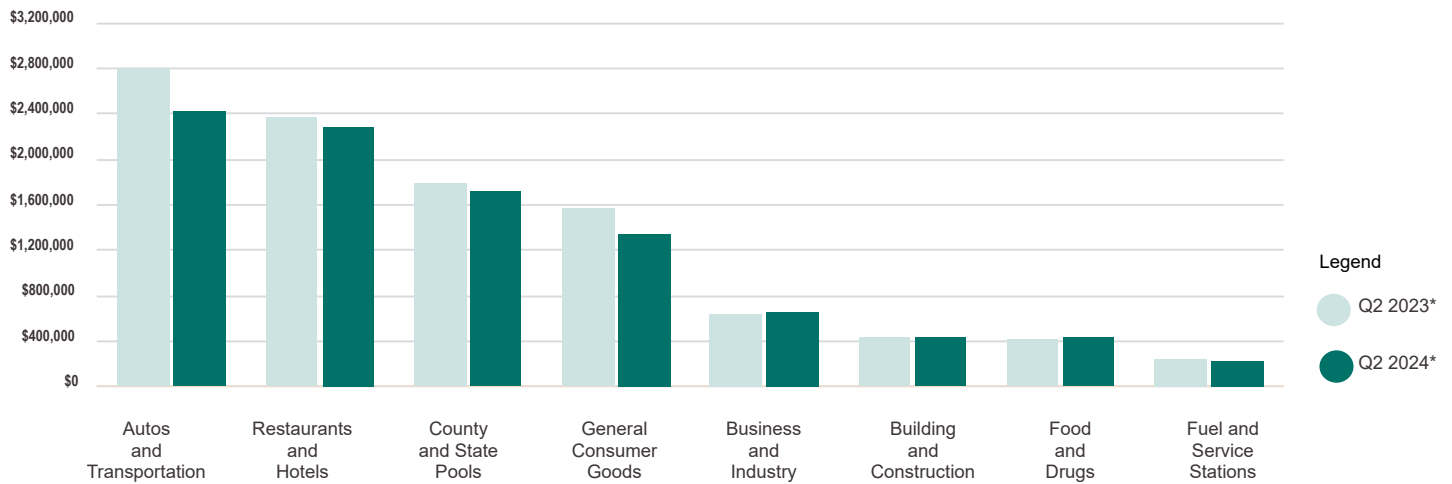
-0.6%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF SANTA MONICA HIGHLIGHTS

Santa Monica's revenue from April to June fell 11.0% compared to the same period in 2023. However, this drop was inflated by a state taxpayer audit correction addressing past payment errors. Excluding this and other aberrations, sales decreased by 6.9%.

The main factor behind this decline was a drop in new car sales, as affordability concerns, driven by high financing costs and a 29% rise in car prices since the pandemic, made buyers hesitant.

Retail sales were also impacted by the closure of a local sporting goods store. Electronics/appliance sales declined as consumers kept their products longer, and restaurant sales fell as rising menu prices caused many to cut back on dining out.

Santa Monica's Transactions and Use

Tax (TUT) performed better than the Bradley-Burns sales tax results mentioned earlier, largely because resident autos-transportation spending was relatively stable and outperformed the statewide trend.

Excluding anomalies, taxable sales in Los Angeles County and the broader Southern California region both fell by 0.5% over the same period.



TOP 25 PRODUCERS

- Apple
- Audi Leasing Bentley Leasing
- Chevron Santa Monica
- Elephante
- Fairmont Miramar Hotel
- Fame House
- Ferguson Enterprises
- Honda Santa Monica
- Jaguar Land Rover Santa Monica
- JP Morgan Chase Bank
- Lexus Santa Monica
- Mercedes Benz Vehicle Trust
- Pacific Park
- Ring
- Santa Monica Audi
- Santa Monica Ford Lincoln
- Santa Monica Proper
- Shutters on the Beach
- Snyder Diamond
- Subaru Santa Monica
- Tesla
- Toyota Lease Trust
- Toyota Santa Monica
- Water Grill/Pier Burger
- WI Simonson Mercedes



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of April through June were 0.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year second quarter is traditionally the beginning of the summer spending season; however, returns were relatively flat when compared to a year ago. For many California agencies, this also marks the end of the 2023-24 fiscal year, where statewide sales tax revenues were down 1.3% from the 2022-23 fiscal year.

Consistent with recent trends, auto-transportation receipts fell 6.2% - the largest sector decline this quarter. Sustained high interest rates, tightened credit standards, and increased cost of insurance all converged to impact returns. While inventory-levels for many dealerships have rebounded, it’s only proving to create downward pressure on prices, further constraining receipts.

Summer weather usually marks fruitful periods for building-construction, however as property owners struggle to access equity for improvements, year-over-year receipts declined. The price of lumber and other materials are now more affordable, but new projects have been sidelined by developers until financing and mortgage costs drop further.

Similarly, as the price of consumer goods has cooled with moderate inflation rates, returns from multiple merchants have curtailed. Men’s and women’s apparel, home furnishings, electronic-appliance and specialty stores could not escape the change in shopper’s preferences for lower priced items from large brick-and-mortar retailers like discount department stores.

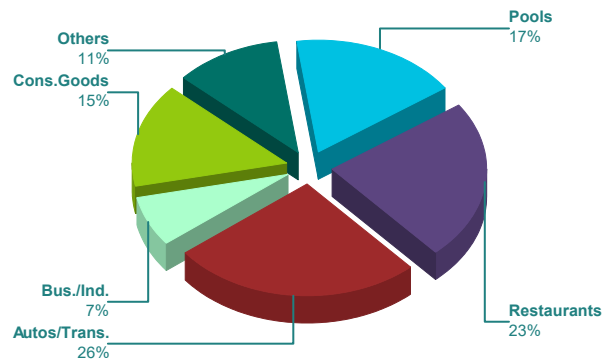
Restaurants experienced only a modest

gain of 0.7%. As AB 1228 is enacted – state law increasing California’s minimum wage at designated eateries – third party data reports that foot traffic to all such establishments decreased during this same time period. Not only are diners selecting less expensive places to eat, but many may have been pushed to limit their frequency to dine out.

Multiple of sectors experienced mild growth including allocations from the countywide use tax pool and the business-industrial group, both benefiting from online shopping, and fuel-service stations as drivers continue to hit the road even as gas prices remain elevated.

Halfway through the current calendar year, revenue trends remain slightly lower than a year ago overall. Although the Federal Reserve recently reduced the Fed Funds Rate helping temper the cost of financing, personal consumption forecasts remain insipid through the remainder of 2024. Consumers are more likely to wait for greater improvement of household economic conditions before extending themselves again, inspiring the next sales tax growth cycle.

REVENUE BY BUSINESS GROUP
Santa Monica This Fiscal Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Santa Monica Business Type	Q2 '24*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,737.0	-19.7% ↓	-6.6% ↓	-7.2% ↓
Casual Dining	985.7	-1.9% ↓	0.4% ↑	0.2% ↑
Auto Lease	461.0	15.2% ↑	5.3% ↑	8.1% ↑
Fine Dining	363.3	-9.6% ↓	-7.3% ↓	3.2% ↑
Hotels/Motels	323.6	1.2% ↑	3.2% ↑	1.8% ↑
Plumbing/Electrical Supplies	291.7	-1.5% ↓	-1.7% ↓	-0.9% ↓
Business Services	279.2	8.8% ↑	-6.3% ↓	-0.2% ↓
Quick-Service Restaurants	258.5	-3.1% ↓	0.4% ↑	0.7% ↑
Family Apparel	254.8	-9.3% ↓	1.0% ↑	0.3% ↑
Grocery Stores	252.9	2.7% ↑	3.8% ↑	1.9% ↑

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*In thousands of dollars