Q4 2018

Santa Monica Sales Tax *Update*

City of Santa Monica

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Santa Monica In Brief

Santa Monica's allocation of sales and use tax from its October through December sales was 4.0% higher than the holiday quarter of 2017. However, the allocation was inflated by back payments related to the State's computer problems. Taxable sales were actually up 2.3% after factoring for these and other accounting anomalies.

A temporary jump in production by one of the auto manufacturers and new activity within the business-industrial group were the primary contributors to the actual increase. Recent additions to grocery and restaurant categories plus higher fuel prices were also factors.

The gains were partially offset by a combination of generally soft sales and closeouts within the general consumer goods group and overall leveling in restaurant patronage.

The voter approved transactions tax measure added $8,431,106 to the amounts discussed above and were 2.7% higher than the same quarter one year ago after adjusting for accounting anomalies. The gains from these sources came primarily from purchases of autos, business supplies and construction materials.

Adjusted for aberrations, sales and use tax receipts for all of Los Angeles County rose 3.2% over the comparable time period while the Southern California region as a whole, was up 2.6%.

Sales Tax by Major Business Group

Top 25 Producers

In Alphabetical Order

- Apple
- Audi Leasing Bentley Leasing
- Bird Rides
- Cab West/Volvo Leasing
- Fair Financial
- Fairmont Miramar Hotel
- Fame House
- Ferguson Enterprises
- Heritage Global Partners
- Honda of Santa Monica
- Hornburg Jaguar Land Rover
- JP Morgan Chase Bank
- Lexus Santa Monica
- Nordstrom
- Ring
- Santa Monica Audi
- Shutters on the Beach
- Snyder Diamond
- Subaru Santa Monica
- Tesla Motors
- Toyota Lease Trust
- Toyota Santa Monica
- Volkswagen Santa Monica
- Vons
- WI Simonson Mercedes

Revenue Comparison

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	$16,677,714	$19,090,646
County Pool	2,369,931	2,683,010
State Pool	8,845	9,563
Gross Receipts	**$19,056,490**	**$21,783,219**
TUT GSH	$15,936,181	$18,115,014

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NOTES

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

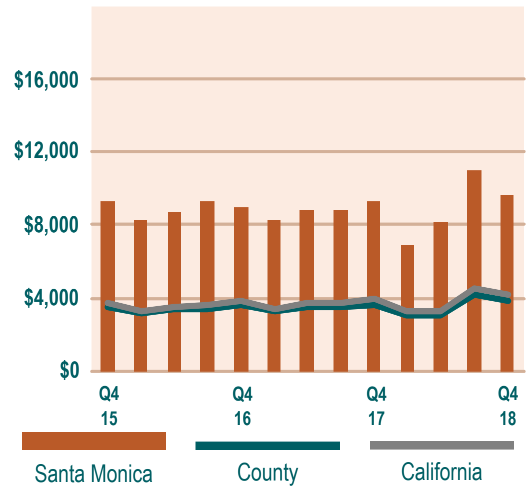
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

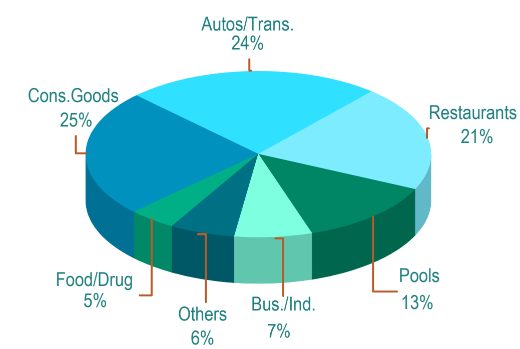
With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

Sales Per Capita



Revenue By Business Group

Santa Monica This Quarter



Santa Monica Top 15 Business Types

*In thousands of dollars Business Type	Santa Monica Q4 '18*	Santa Monica Change	County Change	HdL State Change
Auto Lease	547.3	-3.5%	-7.4%	-11.4%
Business Services	256.2	191.3%	-8.8%	14.7%
Casual Dining	885.1	-1.1%	2.6%	2.5%
Electronics/Appliance Stores	— CONFIDENTIAL —		3.3%	-1.6%
Family Apparel	487.7	-10.5%	1.6%	0.5%
Fast-Casual Restaurants	248.0	-3.3%	2.9%	4.5%
Fine Dining	373.2	12.0%	7.0%	6.7%
Grocery Stores	232.3	-4.8%	-19.3%	-11.7%
Home Furnishings	239.3	-11.4%	0.7%	0.0%
Hotels-Liquor	272.9	4.1%	6.4%	7.2%
New Motor Vehicle Dealers	1,544.6	27.7%	5.4%	5.8%
Quick-Service Restaurants	232.6	9.3%	7.0%	6.6%
Service Stations	265.6	20.1%	28.4%	28.5%
Specialty Stores	258.3	-26.0%	-10.8%	-10.8%
Women's Apparel	228.7	3.7%	-0.4%	-3.6%
Total All Accounts	**8,883.5**	**4.0%**	**9.0%**	**7.0%**
County & State Pool Allocation	**1,301.9**	**4.0%**	**9.0%**	**8.6%**
Gross Receipts	**10,185.4**	**4.0%**	**9.0%**	**7.2%**