

CITY OF SANTA MONICA

SALES TAX UPDATE

4Q 2023 (OCTOBER - DECEMBER)



SANTA MONICA

TOTAL: \$ 9,712,014

-11.4%

4Q2023



-2.6%

COUNTY



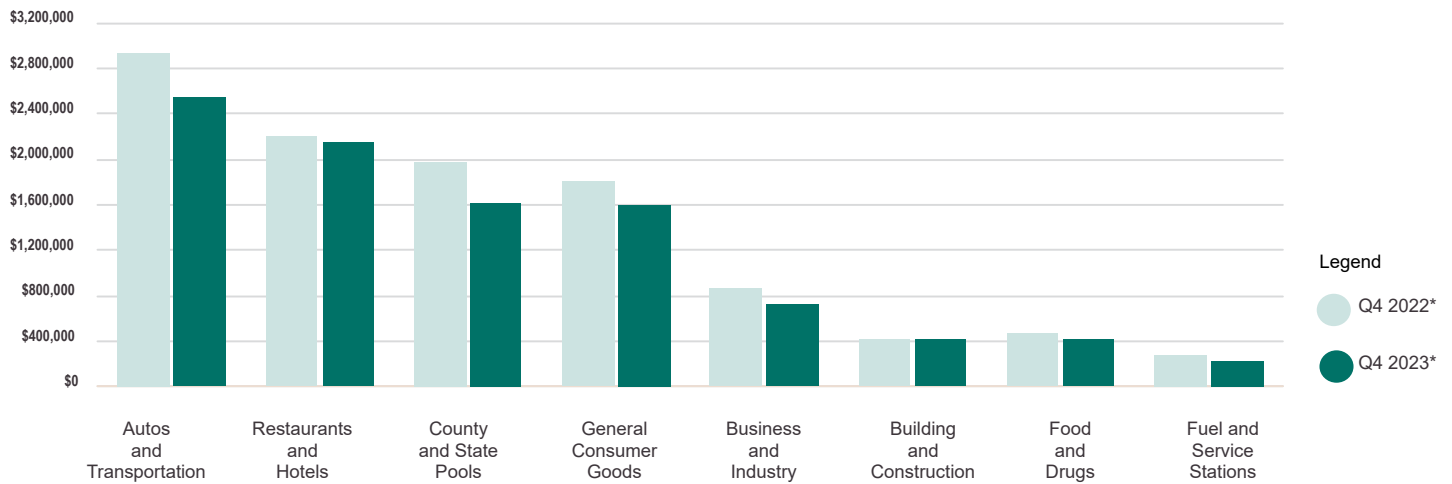
-2.5%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



TUT GSH

TOTAL: \$9,165,504

↓ -5.4%



CITY OF SANTA MONICA HIGHLIGHTS

Santa Monica's receipts from October through December were 22.7% below the fourth sales period in 2022. A substantial negative audit correction for 2q21, 3q21 taxes received in error caused the bulk of skewed cash comparisons. Excluding reporting aberrations, actual sales were down 11.4%.

Luxury car buying cooled off; along with price reductions and elevated interest rates, new vehicle dealerships plunged 18%. Further, a vendor filing statewide allocations correctly since 2q23 hurt auto revenues.

General consumer goods slid 11%; consumers focused spending on essential products, thus fewer outlays on sporting goods, electronics/

appliances. A year ago pop up store explains the family apparel dip while changes in online sales practices moved some women's apparel payments to the pools.

Pump price reductions drove service stations down 10%. Reduced medical/biotech equipment orders drove business-industry negative.

Casual dining patronage was unchanged. Expected closure of a beachfront resort for remodeling explains the hotel segment's 9% decline. Increased menu prices slowed fine dining foot traffic.

Net of aberrations, taxable sales for the Southern California region fell 2.0%.



TOP 25 PRODUCERS

- Apple
- Audi Leasing Bentley Leasing
- Chevron Santa Monica
- Fairmont Miramar Hotel
- Fame House
- Ferguson Enterprises
- Genesis Santa Monica
- Honda Santa Monica
- Jaguar Land Rover Santa Monica
- JP Morgan Chase Bank
- Lexus Santa Monica
- Mercedes Benz Vehicle Trust
- Michael Smith Design
- Ring
- Santa Monica Audi
- Santa Monica BMW
- Santa Monica Buick GMC
- Santa Monica Ford Lincoln
- Shutters on the Beach
- Snyder Diamond
- Subaru Santa Monica
- Tesla Motors
- Toyota Lease Trust
- Toyota Santa Monica
- WI Simonson Mercedes



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women’s apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

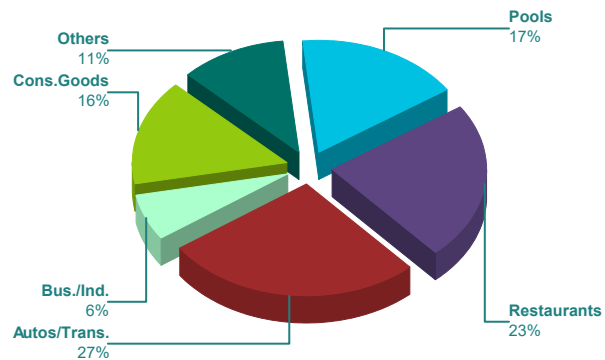
Even though revenue from most major sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for ‘fast food restaurants’, on April 1, 2024.

Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady,

pool collections contracted more taxes allocated directly to local agencies via in-state fulfillment and through existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

REVENUE BY BUSINESS GROUP
Santa Monica This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Santa Monica Business Type	Q4 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,883.9	-17.8% ↓	-7.5% ↓	-7.7% ↓
Casual Dining	903.6	0.3% ↑	2.5% ↑	1.8% ↑
Auto Lease	442.6	4.2% ↑	1.1% ↑	4.2% ↑
Fine Dining	373.6	-6.6% ↓	-5.1% ↓	-4.7% ↓
Business Services	342.1	0.6% ↑	-11.5% ↓	-8.6% ↓
Hotels/Motels	308.6	-9.2% ↓	-0.9% ↓	0.9% ↑
Plumbing/Electrical Supplies	286.9	-2.8% ↓	-3.6% ↓	-4.2% ↓
Family Apparel	285.0	-17.3% ↓	-2.0% ↓	-0.4% ↓
Specialty Stores	247.9	6.7% ↑	-2.0% ↓	-2.2% ↓
Grocery Stores	246.4	-8.8% ↓	-2.5% ↓	-4.6% ↓

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars