

Q1 2019



Culver City Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Culver City In Brief

Culver City's receipts from January through March were 7.9% above the first sales period in 2018 though results were inflated by catch-up payments for prior quarter sales activity. Disbursement of this tax revenue has been delayed by the State's recent software conversion, which has caused numerous irregularities in the timing of local revenue allocations. Autos and transportation, casual dining, grocery store and allocations from the countywide use tax pool were particularly impacted. Adjusted for proper payment timing, sales were down 4.1%.

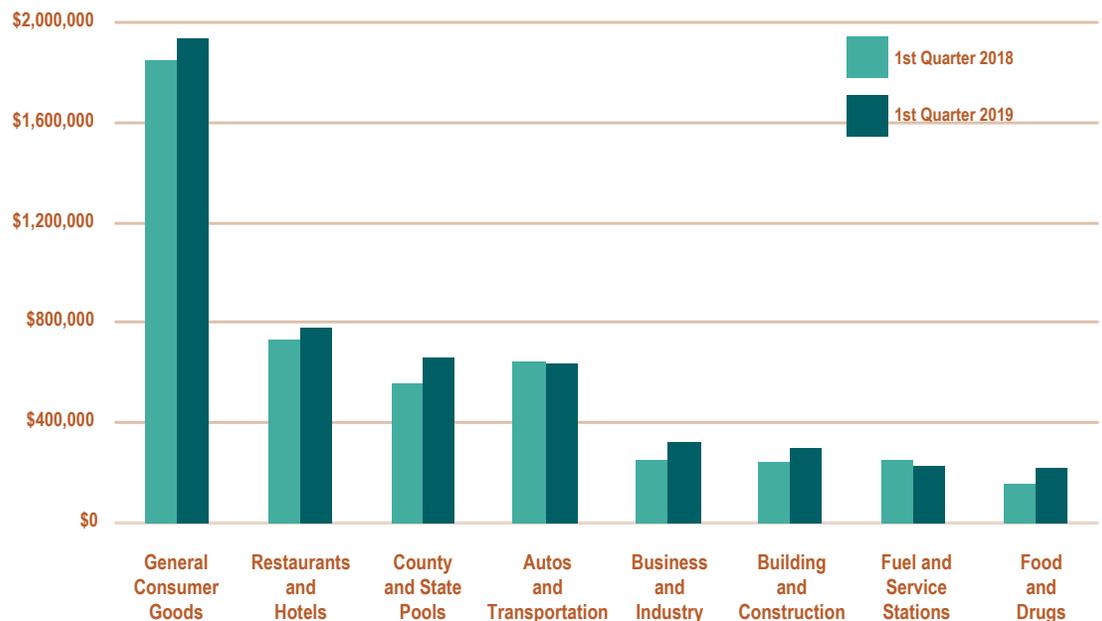
The largest factor in this decline was lackluster results in several categories of general consumer goods as shopping activity continues to migrate to online retailers. Electronics/appliance stores may have been further impacted by the timing of product upgrade cycles.

A delayed payment appears to have artificially deflated new car sales.

The City's voter approved Measure Y generated an additional \$2,379,000 beyond the amounts previously discussed.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.9% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Nordstrom Rack
Big Lots	Olive Garden
Costco	Rite Aid
Culver City Honda	Room & Board
Culver City Toyota	Sephora
Culver City Volvo Cars	Sky Frame
Doowy Does It	Target
Foot Locker	Toyota Lease Trust
Hajoca	Trader Joes
Honda Lease Trust	VCFS Auto Leasing Company
Howard Industries	Verizon Wireless
JC Penney	Vons
Macys	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$13,886,182	\$14,301,112
County Pool	1,942,029	2,052,296
State Pool	8,633	7,447
Gross Receipts	\$15,836,844	\$16,360,855
Measure Y	\$7,177,159	\$7,874,675

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

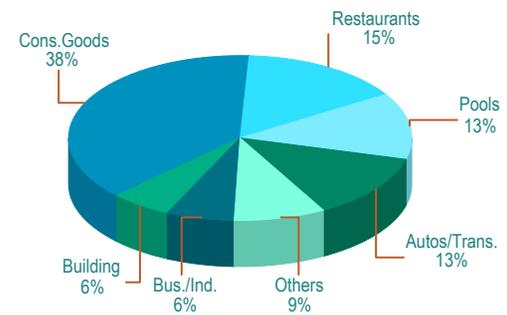
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Culver City This Quarter



CULVER CITY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Culver City Q1 '19*	Culver City Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —	—	na	na
Casual Dining	405.5	23.2%	14.8%	13.3%
Department Stores	— CONFIDENTIAL —	—	38.4%	35.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.2%	2.8%
Electronics/Appliance Stores	243.1	-16.5%	-8.0%	-3.3%
Family Apparel	180.8	3.2%	2.7%	7.1%
Fast-Casual Restaurants	141.5	-0.8%	8.5%	8.4%
Grocery Stores	138.2	64.3%	42.4%	25.7%
Home Furnishings	101.7	4.4%	3.1%	3.3%
New Motor Vehicle Dealers	408.7	-29.4%	-0.4%	-1.8%
Plumbing/Electrical Supplies	124.4	15.6%	6.9%	4.6%
Quick-Service Restaurants	132.5	-20.2%	8.3%	10.1%
Service Stations	224.9	-12.0%	21.9%	15.7%
Shoe Stores	112.4	4.8%	-7.6%	-0.6%
Specialty Stores	180.5	29.8%	29.5%	23.4%
Total All Accounts	4,414.1	6.5%	16.5%	13.5%
County & State Pool Allocation	663.4	18.6%	29.8%	23.8%
Gross Receipts	5,077.5	7.9%	18.1%	14.9%