

CITY OF WESTMINSTER

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



WESTMINSTER

TOTAL: \$ 4,681,456

-3.1%

2Q2023



-0.4%

COUNTY



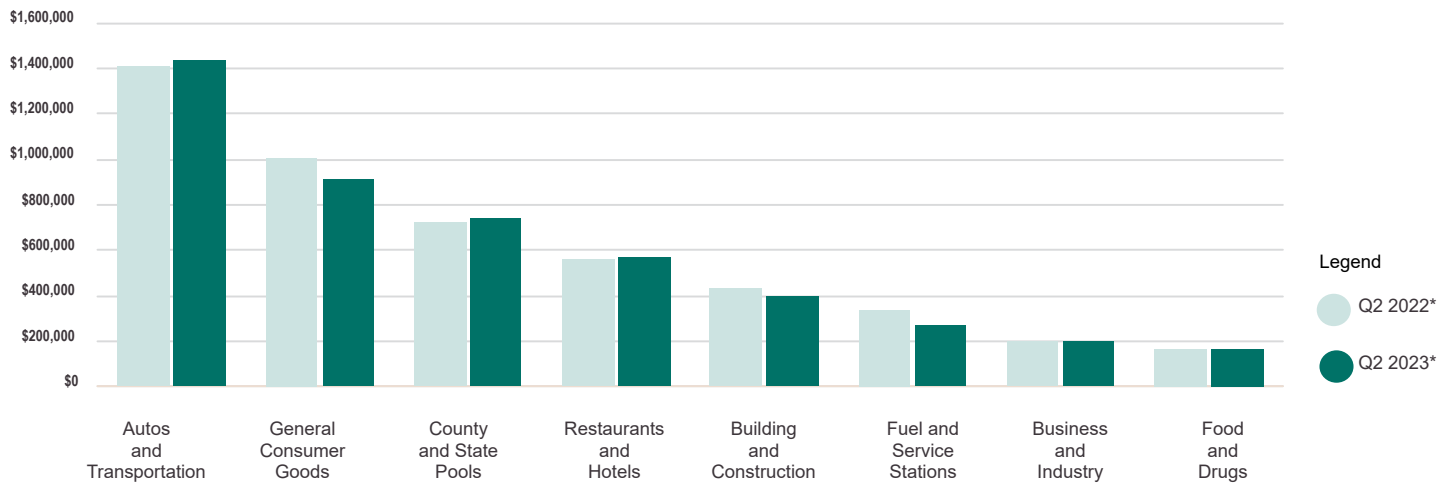
-3.0%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure Y

TOTAL: \$3,580,563



CITY OF WESTMINSTER HIGHLIGHTS

Westminster's receipts from April through June were 1.3% below the second sales period in 2022. Excluding reporting aberrations, actual sales were down 3.1%.

The largest factor in this loss was lower gasoline prices in comparison to last year when prices spiked after Russia's invasion of Ukraine. This negatively impacted both service stations and those General Consumer Goods merchants who sell fuel.

Tax receipts from building and construction suppliers were also down as higher mortgage rates, recently surging above 8%, put a damper on construction and home improvement activity.

Local new cars dealers, however, adeptly managed the hurdle presented by rising financing rates and were able to surpass the flat statewide trend.

The City's replacement district tax, Measure Y, produced 76.5% of the Bradley-Burns tax revenue previously discussed in its first quarter of implementation. A new tax is typically lighter than normal in its first quarter due to payment timing issues.

Net of aberrations, taxable sales for all of Orange County declined 0.4% over the comparable time period; the Southern California region was down 3.0%.



TOP 25 PRODUCERS

- AC Pro
- Best Buy
- Carvana
- Chick Fil A
- Costco Business Center
- DB Industrial Supply
- Dennis Dillon RV
- Elmore Toyota
- Freedom Forever Procurement
- G&M Oil
- Ganas Auto
- Home Depot
- Honda World
- Huntington Beach
- Harley Davidson
- Livewire
- Independent Electric Supply
- Lexor Manufacturing
- Lexus of Westminster
- Macy's
- OC Autohaus
- Orange Coast Infiniti
- Ross
- Target
- United Oil
- Walmart
- Walters Wholesale Electric



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.

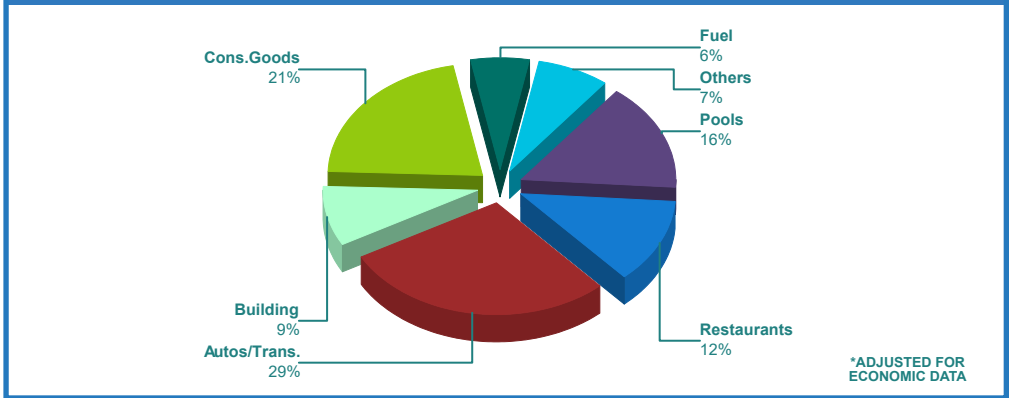
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets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



TOP NON-CONFIDENTIAL BUSINESS TYPES

Westminster Business Type	Q2 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	596.6	6.4% ↑	16.6% ↑	-0.3% ↓
Casual Dining	305.1	3.1% ↑	3.9% ↑	4.5% ↑
Service Stations	265.8	-20.4% ↓	-22.3% ↓	-19.9% ↓
Quick-Service Restaurants	222.8	-0.5% ↓	2.4% ↑	3.2% ↑
Plumbing/Electrical Supplies	187.1	-12.9% ↓	-7.5% ↓	-4.6% ↓
Electronics/Appliance Stores	151.5	-2.7% ↓	-1.2% ↓	-6.3% ↓
Grocery Stores	86.7	2.5% ↑	0.9% ↑	2.9% ↑
Specialty Stores	71.7	-8.3% ↓	-2.5% ↓	-1.3% ↓
Department Stores	64.9	-9.6% ↓	-2.7% ↓	-2.0% ↓
Automotive Supply Stores	61.7	1.9% ↑	2.6% ↑	3.3% ↑

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