

CITY OF AVALON

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



AVALON

TOTAL: \$ 369,881

-8.4%

2Q2023



-4.2%

COUNTY



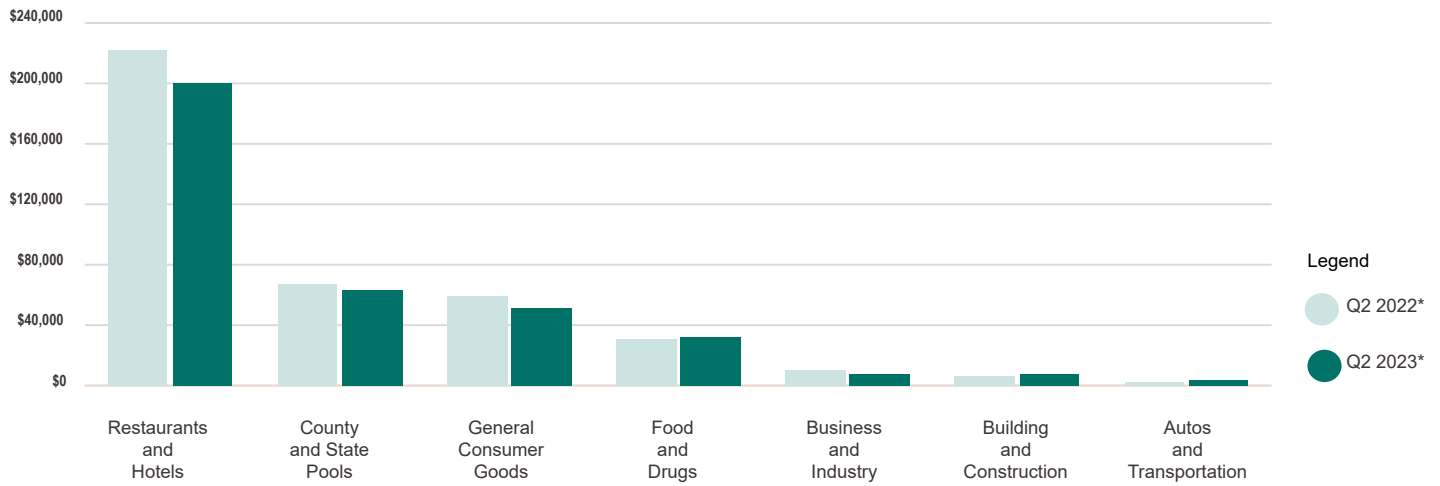
-3.0%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF AVALON HIGHLIGHTS

Avalon's receipts from April through June were 6.7% below the second sales period in 2022. Excluding reporting aberrations, actual sales were down 8.4%.

Higher menu prices and lower tourist rates had a negative impact for the restaurants-hotels group.

Consumers and visitors alike spent less in the general consumer goods category on household items, clothing, and non-necessities.

Demand for new orders weakened in 2Q23, resulting in a decrease in revenue from the business-industry sector.

Receipts from food-drugs are up when compared to the year ago period, as inflation causes food prices to skyrocket.

Building-construction reported modest

increases, likely related to increased material costs.

The auto-transportation sector had modest gains.

The City's share of the countywide use tax pool decreased 6.1% when compared to the same period in the prior year.

Net of aberrations, taxable sales for all of Los Angeles County declined 4.2% over the comparable time period; the Southern California region was down 2.9%.



TOP 25 PRODUCERS

Abes Liquor Store

Antonios Deli

Bluewater Grill

Buffalo Nickel

Buoys & Gulls

Carnival Cruise Lines

Casino Ballroom

Catalina Sportswear & Souvenir

Chets Hardware

El Galleon

Island Threadz

Latitude 33

Leos Catalina Drugstore

Lobster Trap

Luau Larrys

Maggies Blue Rose

Mi Casita Restaurant

Original Jacks

Pancake Cottage

Pic Nic Fry

Portofino Hotel

Steves Steakhouse

The Locker Room

Three Palms Avalon

Arcade

Vons



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.

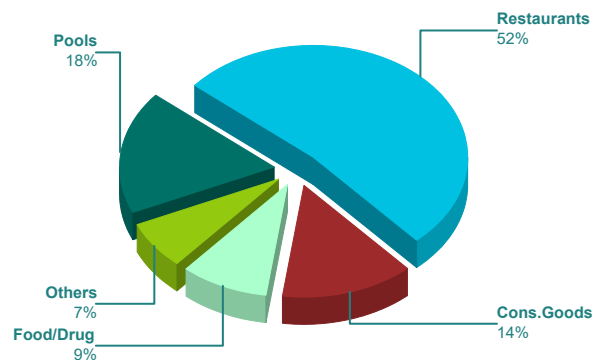
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets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



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Avalon Business Type	Q2 '23	Change	County Change	HdL State Change
Casual Dining	168,503	-9.2% ↓	5.7% ↑	4.5% ↑
Family Apparel	21,748	0.2% ↑	-2.6% ↓	-0.9% ↓
Art/Gift/Novelty Stores	17,963	-24.8% ↓	-5.9% ↓	-1.2% ↓
Leisure/Entertainment	11,112	-26.3% ↓	12.6% ↑	2.9% ↑
Quick-Service Restaurants	5,102	-22.0% ↓	2.7% ↑	3.2% ↑
Specialty Stores	5,075	-16.7% ↓	1.2% ↑	-1.3% ↓
Women's Apparel	3,462	67.3% ↑	-8.0% ↓	-8.5% ↓
Sporting Goods/Bike Stores	2,014	-38.9% ↓	-7.1% ↓	-9.1% ↓

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