

# CITY OF BEVERLY HILLS

## SALES TAX UPDATE

### 1Q 2023 (JANUARY - MARCH)



#### BEVERLY HILLS

TOTAL: \$ 10,107,596

-5.2%

1Q2023



-1.6%

COUNTY



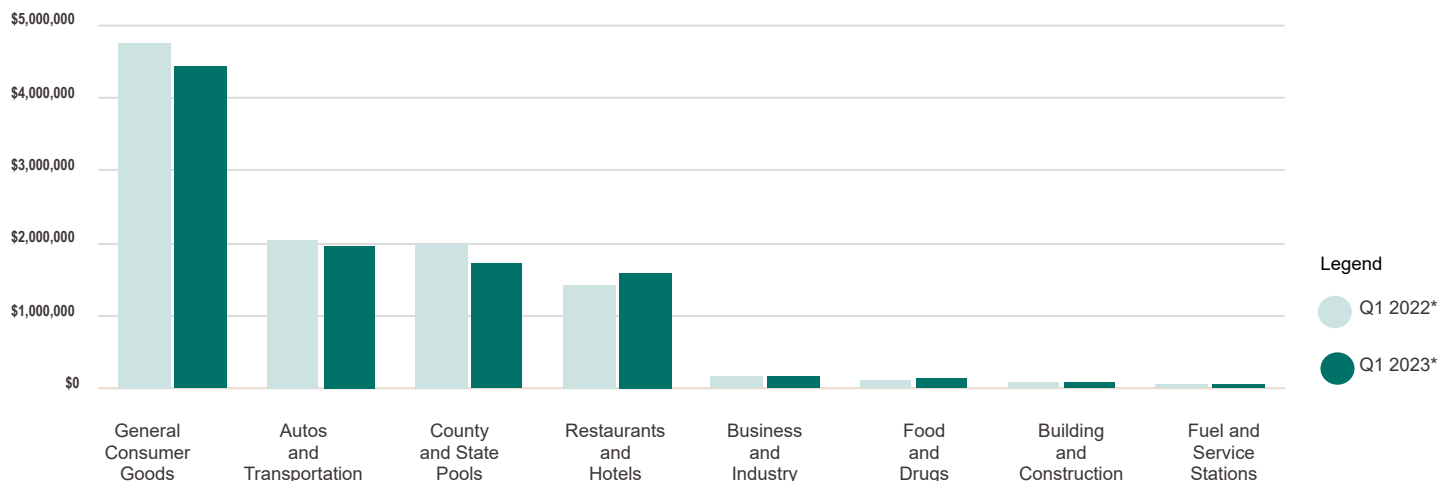
-1.1%

STATE



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

#### SALES TAX BY MAJOR BUSINESS GROUP



#### CITY OF BEVERLY HILLS HIGHLIGHTS

Beverly Hills' receipts from January through March were 10.1% below the first sales period in 2022. This decline was exaggerated by a delay in several large taxpayer remittances and a significant audit infusion that was received in the comparison year, which made for a difficult comparison. Excluding these and other reporting aberrations, actual results were down 5.2%.

The sale of family apparel, jewelry, and other general consumer goods suffered as consumers shifted their spending in favor of services and experiences, including travel, concerts, gym memberships, and restaurant dining.

Allocations from the countywide use-tax pool also fell, largely because this funding is allocated among local agencies based on proportional cash receipts, which were relatively lower in Beverly Hills due to the payment aberrations previously noted. The drop in spending on general

consumer goods, the City's largest sales tax category, also contributed to this outcome. Receipts were further crimped by the shift in fulfillment by online retailers for some of their internet orders from out-of-state warehouses to closer, in-state locations.

The recent increase in interest rates also pressured new car sales and auto leasing results.

However, several popular new restaurant openings and a surge in revenue for local hotels was a strong positive, with the 11.1% increase in the category outpacing the 9.1% statewide trend.

Net of aberrations, taxable sales for all of Los Angeles County declined 1.6% over the comparable time period; the Southern California region was down 0.9%.



#### TOP 25 PRODUCERS

- |                                 |                    |
|---------------------------------|--------------------|
| Audi Beverly Hills              | Neiman Marcus      |
| Audi Leasing                    | Porsche Leasing    |
| Beverly Hills Hotel             | Prada              |
| Beverly Hilton Hotel            | Saks Fifth Avenue  |
| Beverly Wilshire Hotel          | Tiffany & Co       |
| Cadillac of Beverly Hills       | Toyota Lease Trust |
| Cartier                         | XIV Karats         |
| Chanel                          | Yves Saint Laurent |
| Christian Dior                  |                    |
| Gearys                          |                    |
| Goyard                          |                    |
| Gucci                           |                    |
| Hermes                          |                    |
| Jim Falk Lexus of Beverly Hills |                    |
| Lamborghini of Beverly Hills    |                    |
| Louis Vuitton                   |                    |
| Mercedes Benz of Beverly Hills  |                    |



## STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC’s recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods’ returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

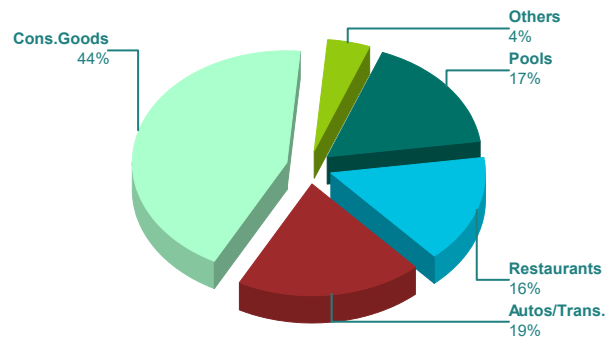
of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve’s actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

### REVENUE BY BUSINESS GROUP Beverly Hills This Quarter\*



\*ADJUSTED FOR ECONOMIC DATA

### TOP NON-CONFIDENTIAL BUSINESS TYPES

Beverly Hills Business Type	Q1 '23*	Change	County Change	HdL State Change
Family Apparel	1,469.9	-5.2% ↓	3.0% ↑	2.3% ↑
New Motor Vehicle Dealers	1,357.9	-3.6% ↓	-4.2% ↓	0.8% ↑
Jewelry Stores	1,079.0	-6.2% ↓	-6.5% ↓	-7.6% ↓
Fine Dining	715.0	1.1% ↑	1.0% ↑	2.4% ↑
Auto Lease	487.3	-10.0% ↓	-9.4% ↓	-7.1% ↓
Hotels/Motels	474.4	30.0% ↑	29.9% ↑	32.2% ↑
Women's Apparel	385.5	-7.5% ↓	-8.7% ↓	-7.3% ↓
Specialty Stores	283.9	-9.6% ↓	5.1% ↑	3.7% ↑
Casual Dining	257.2	13.7% ↑	11.8% ↑	9.6% ↑
Home Furnishings	110.1	-1.8% ↓	-11.3% ↓	-10.3% ↓

\*Allocation aberrations have been adjusted to reflect sales activity

\*In thousands of dollars