

4. Measure X Sales Tax Update {Fran Mancia, Avenue Insights & Analytics}

Santa Ana Measure X

Charting a Course

December 2023

Presented by
MuniServices

Avenu Insights & Analytics

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Statewide Perspective

Annual Change in Taxable Sales in California

2018	4.8%	
2019	6.5%	
2020	-7.3%	
2021	26.6	
2022	8.1%	
2023 YTD	-1.1%	(3 Quarters)

Recent Bright Spots

- Restaurants
- E-commerce

Recent Challenges

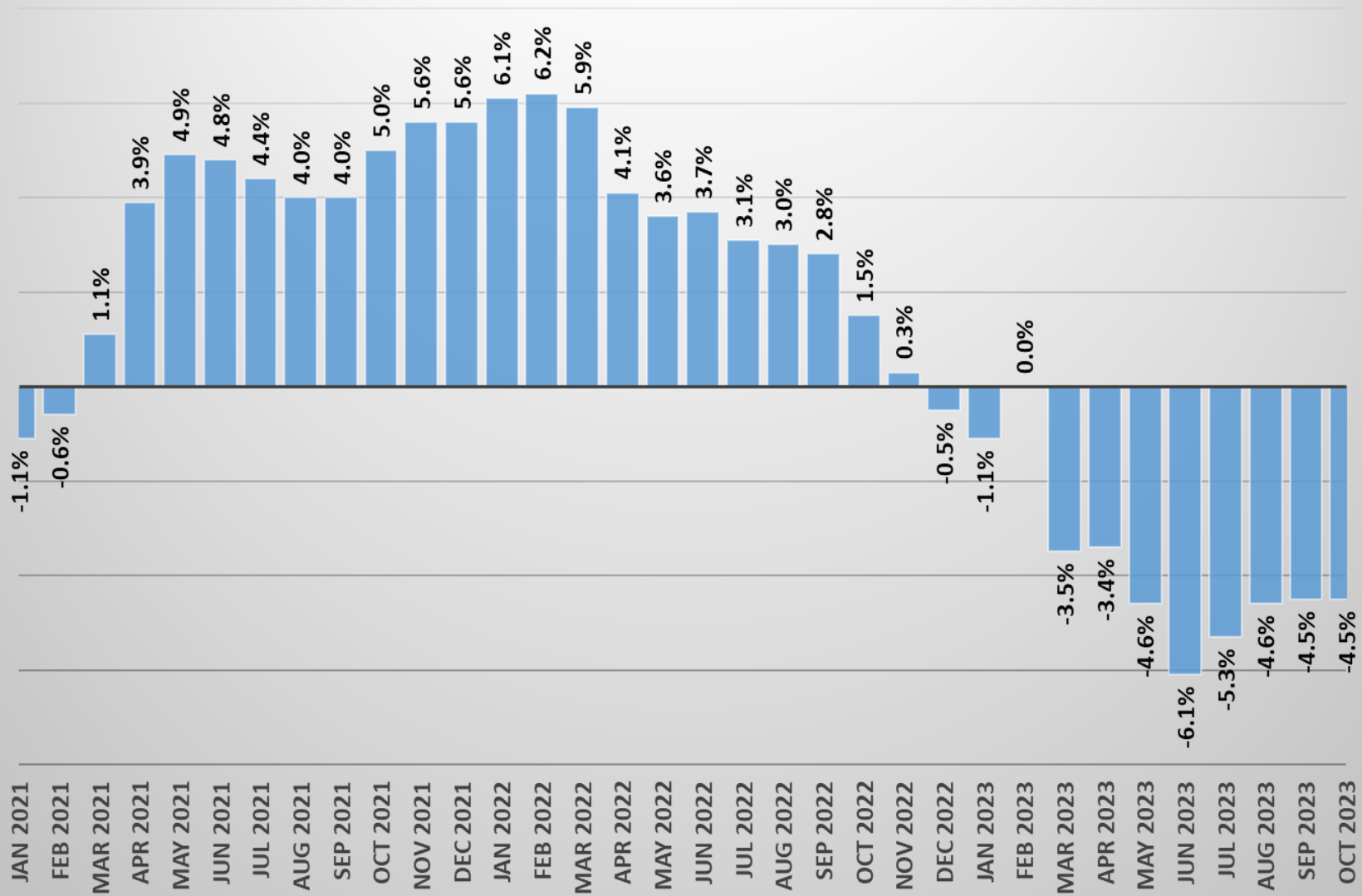
- Used Auto Sales
- Building Materials Wholesale & Retail
- Service Stations
- Drug Stores (Cannabis)

Inflation and Disinflation

Change in CPI-U from Same Month in Prior Year

All Urban Consumers

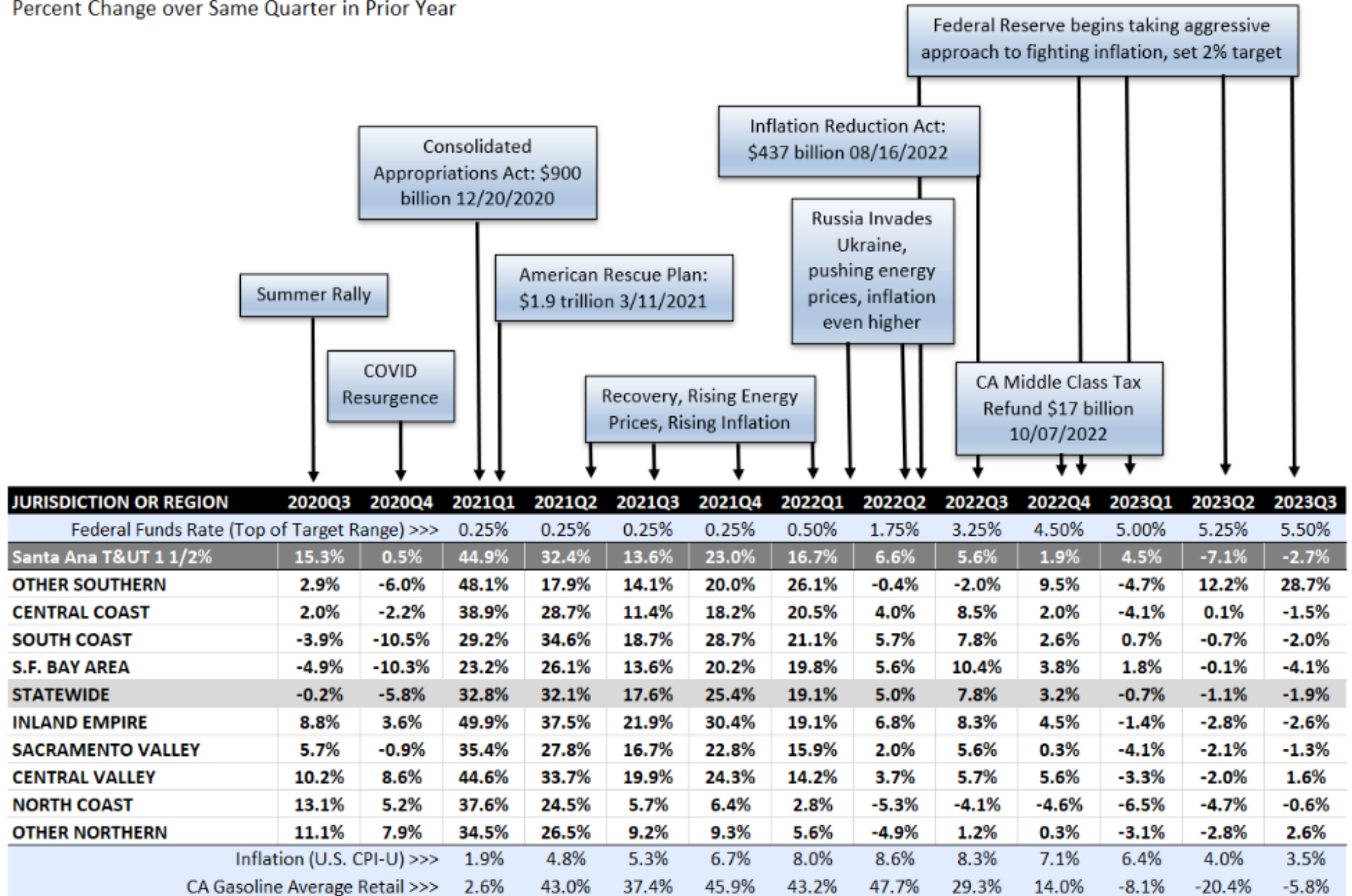
Based on Unadjusted 12-month Percent Change



California Taxable Sales by Region

California Taxable Sales

Percent Change over Same Quarter in Prior Year



Santa Ana Measure X



\$86.8 million for FY 22/23



Over 490 current district taxes
levied in CA



Administered by the California
Department of Tax and Fee
Administration (CDTFA)



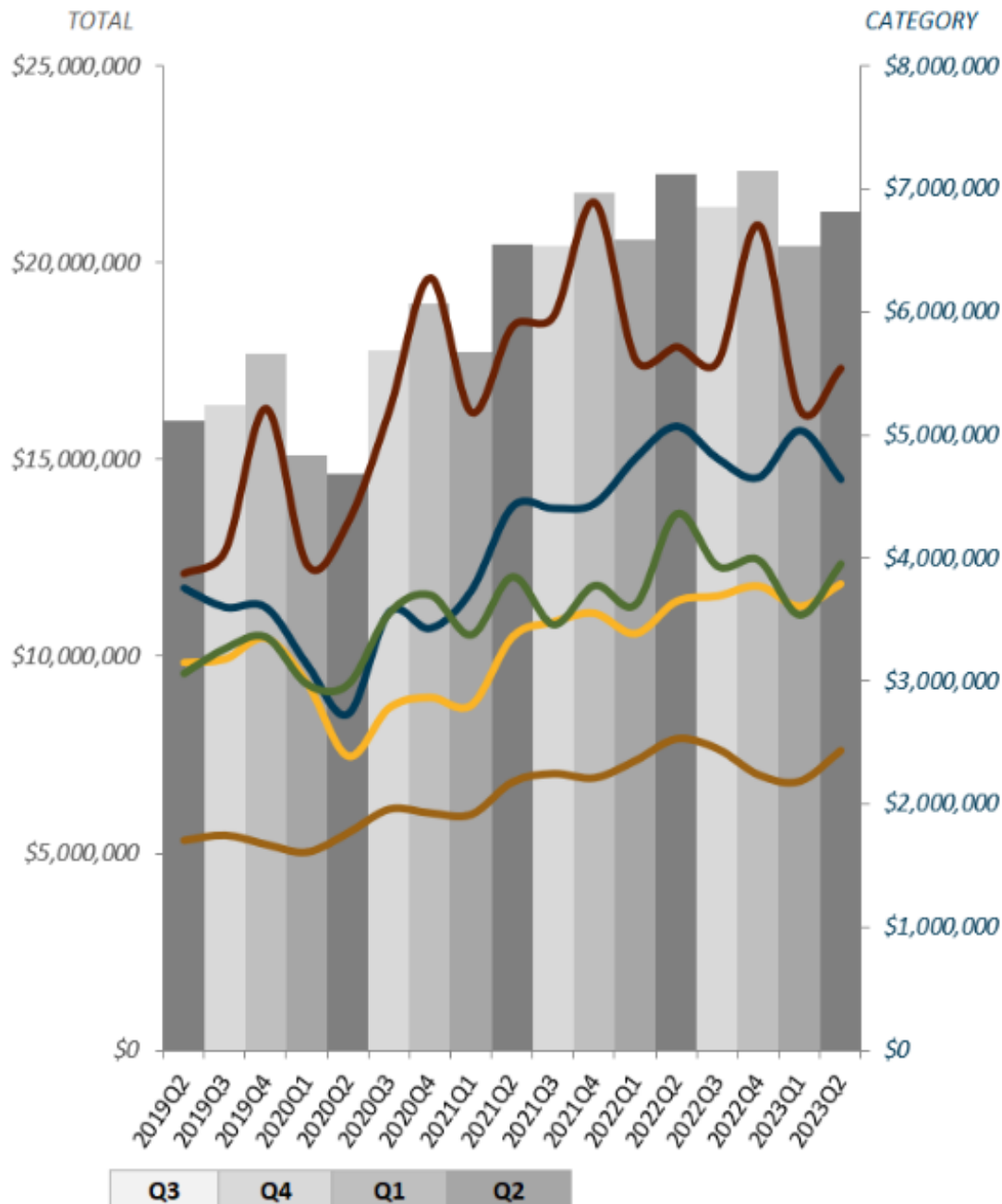
Destination-Based Sourcing
vs. Point of Sale

When does Santa Ana receive Sales Tax?

Bradley Burns (Point-of-Sale) v. Transactions and Use Tax (Destination)

Business Activity	Bradley Burns-1%	Measure X- 1.5%
Vehicle purchased in Santa Ana by non-resident	Yes	No
Vehicle purchased outside City by Santa Ana Resident	No	Yes
Goods purchased online by City residents or Businesses	No	Yes
Retailer/Restaurant/Local Business Sale at 'cash register' in City	Yes	Yes

Quarterly Measure X Transactions & Use Tax Performance



TOTAL				
2023Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$21,296,731	-4.2%	-\$940,998	0.6%	\$484,894

GENERAL RETAIL				
2023Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$5,535,510	-3.1%	-\$175,040	-4.7%	-\$1,137,799
% of 2023Q2 Total:		26.0%		

FOOD PRODUCTS				
2023Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$3,794,686	3.9%	\$141,593	5.7%	\$798,784
% of Total:		17.8%		

TRANSPORTATION				
2023Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$4,640,259	-8.5%	-\$432,911	2.2%	\$411,011
% of Total:		21.8%		

CONSTRUCTION				
2023Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$2,439,659	-3.8%	-\$95,070	-0.4%	-\$37,287
% of Total:		11.5%		

BUSINESS TO BUSINESS				
2023Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$3,949,018	-9.3%	-\$407,273	1.2%	\$184,753
% of Total:		18.5%		

QoQ = 23Q2 / 22Q2

YoY = YE 23Q2 / YE 22Q2

Quarterly Measure X Performance: Selected Segments

Santa Ana Measure X Percent Change Over Same Quarter In Prior Year (Cash Basis)

Segment	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2
Restaurants	32.4%	45.8%	27.1%	4.8%	5.8%	4.1%	8.1%	4.2%
Miscellaneous Retail (E-commerce)	5.4%	12.6%	14.8%	-0.6%	4.9%	-4.8%	-10.3%	-7.2%
Auto Sales - Used	11.9%	14.6%	6.5%	-11.1%	-11.3%	-19.0%	-13.6%	-31.4%
Building Materials - Wholesale & Retail	7.4%	12.1%	47.4%	4.0%	19.8%	2.5%	-3.9%	-9.3%
Service Stations	68.6%	94.8%	58.2%	41.3%	8.5%	-3.3%	-9.9%	-18.9%
Drug Stores (Cannabis Dispensaries)	-17.8%	3.4%	-14.8%	14.1%	14.2%	-0.8%	-1.7%	-26.3%

Restaurants: Prices "sticky", they continue to rise, +5.4% Year over Year in October 2023.

E-commerce: Post-Pandemic Shoppers returning to "Brick and Mortar", Hybrid Retail Model most popular, Relative Prices of goods not rising, Prices +0.1% Year over Year October 2023.

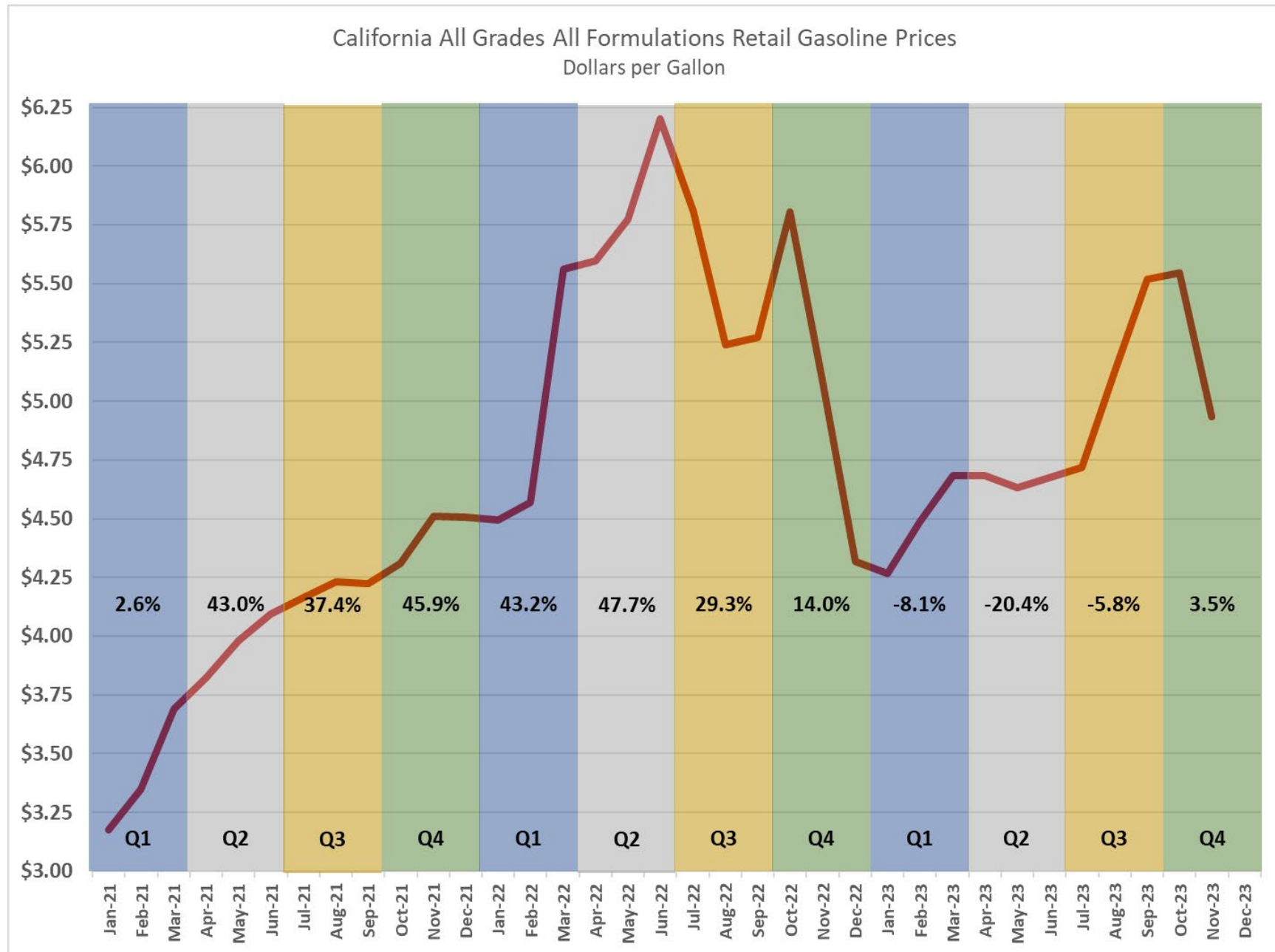
Auto Sales - Used: Prices 2021 +22.3%, 2022 +8.6%, 2023 YTD +0.9%, Higher Interest Rates impacting demand along with consumers wanting newer technologies, (EV, Hybrid)

Building Materials - Wholesale & Retail: Post-Pandemic Remodeling and Home Office Remodeling is over. Higher Mortgage and Interest Rates slowing Real Estate Resale Market and impacting demand.

Service Stations: Prices have fluctuated wildly, (see next slide), demand impacted by increasing EV Market Share.

Cannabis: Prices 2021 -1%, 2022 -13%, 2023 YTD -10%, prices are expected to continue to decline, over-supply a problem, along with thriving underground market and high taxes

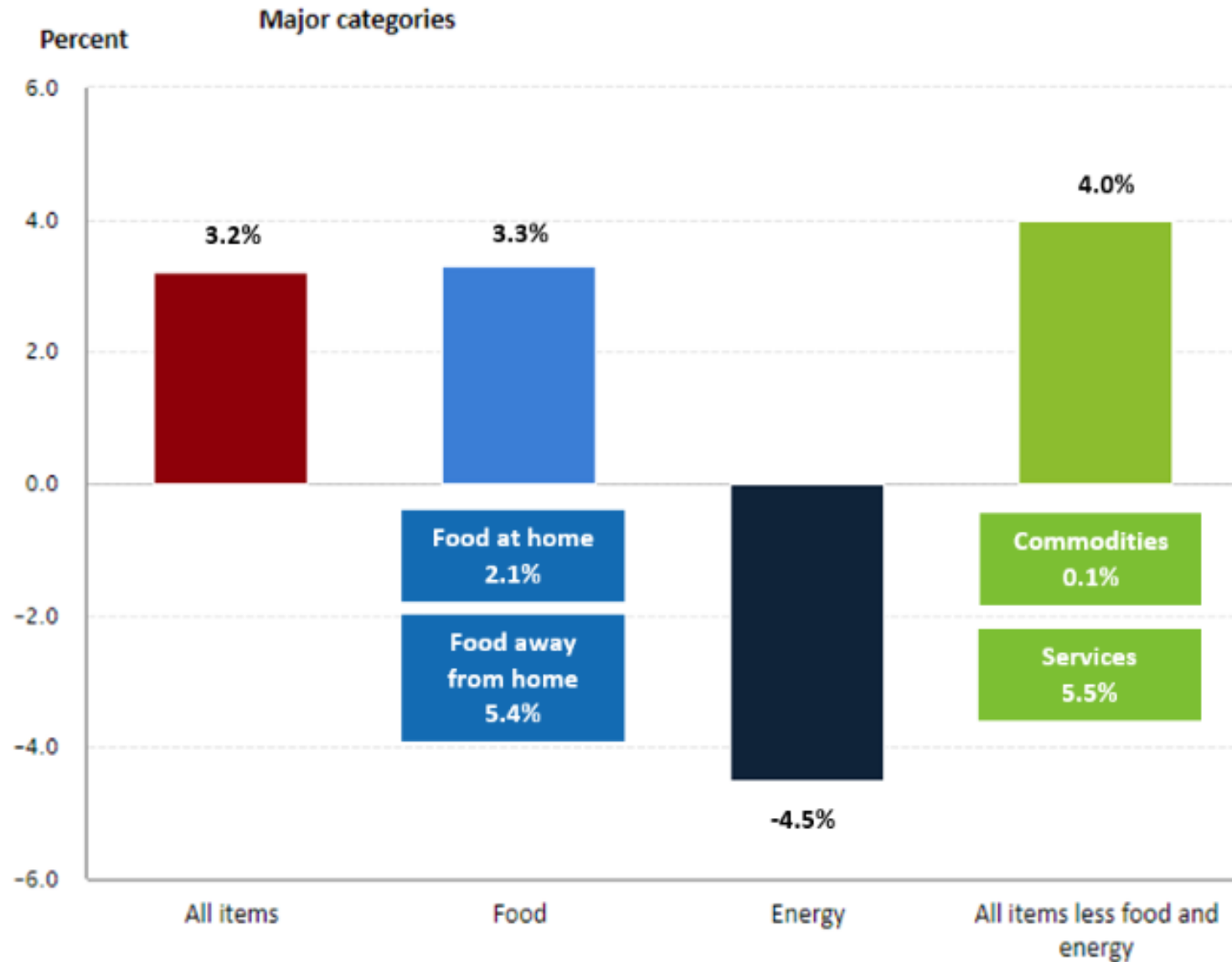
Fluctuating Prices of Gasoline in California in the last 3 years



Source: Energy Information Administration (eia)

What's currently driving Inflation?

12-month percentage change, Consumer Price Index, selected categories, October 2023, not seasonally adjusted

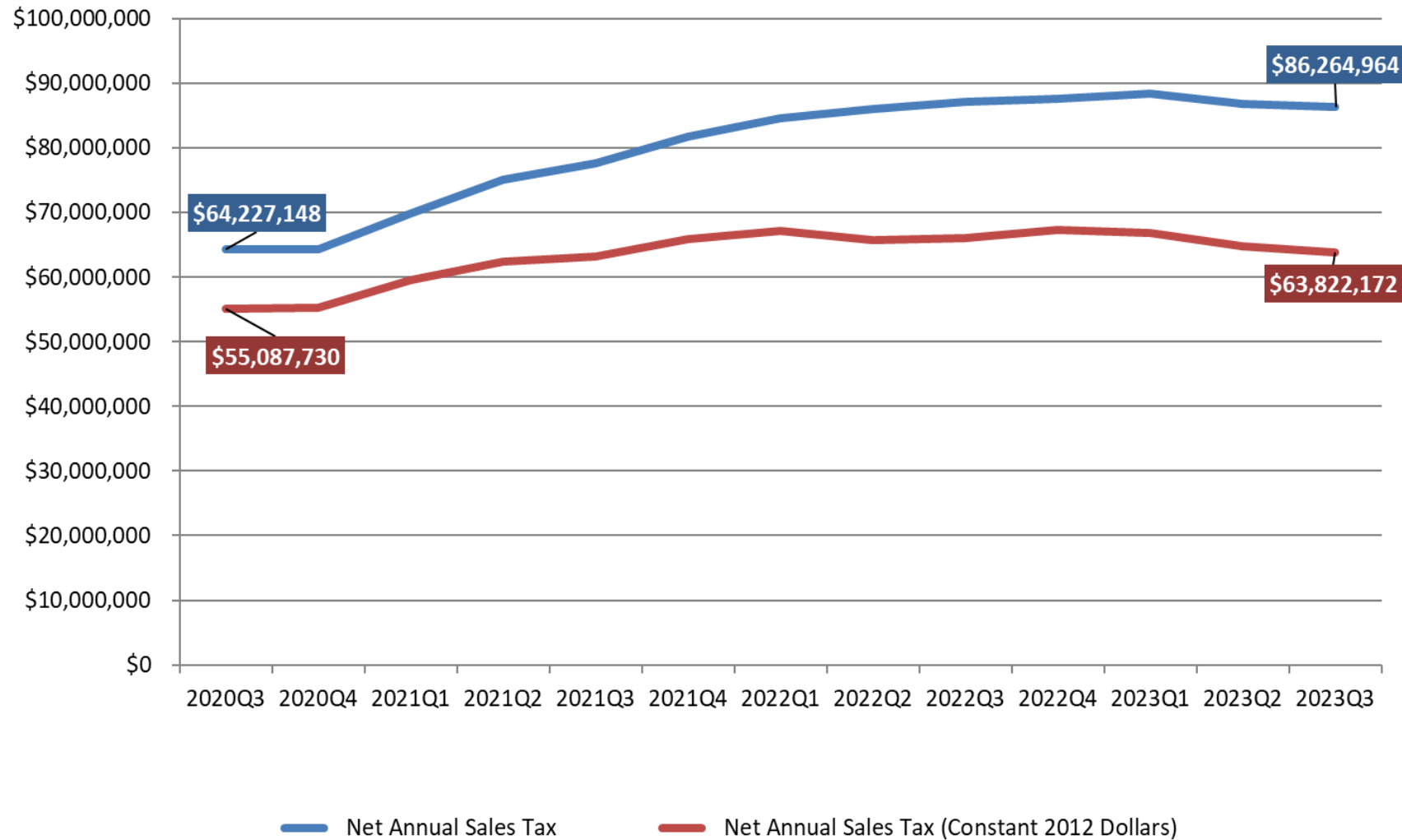


Source: Bureau of Labor Statistics (BLS)

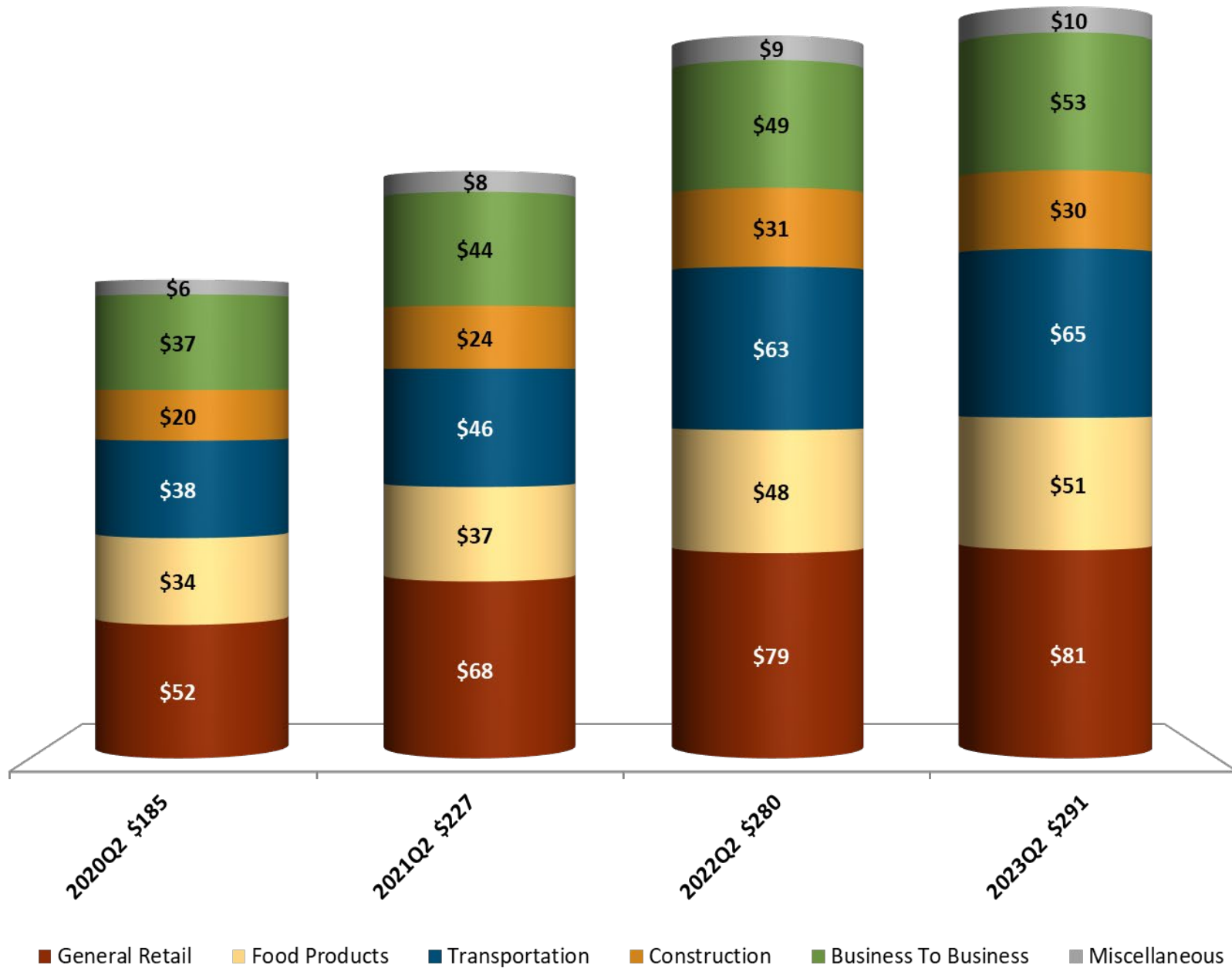
Santa Ana Measure X Annual Sales Tax Adjusted for Inflation

NET ANNUAL SALES TAX FOR SANTA ANA T & UT

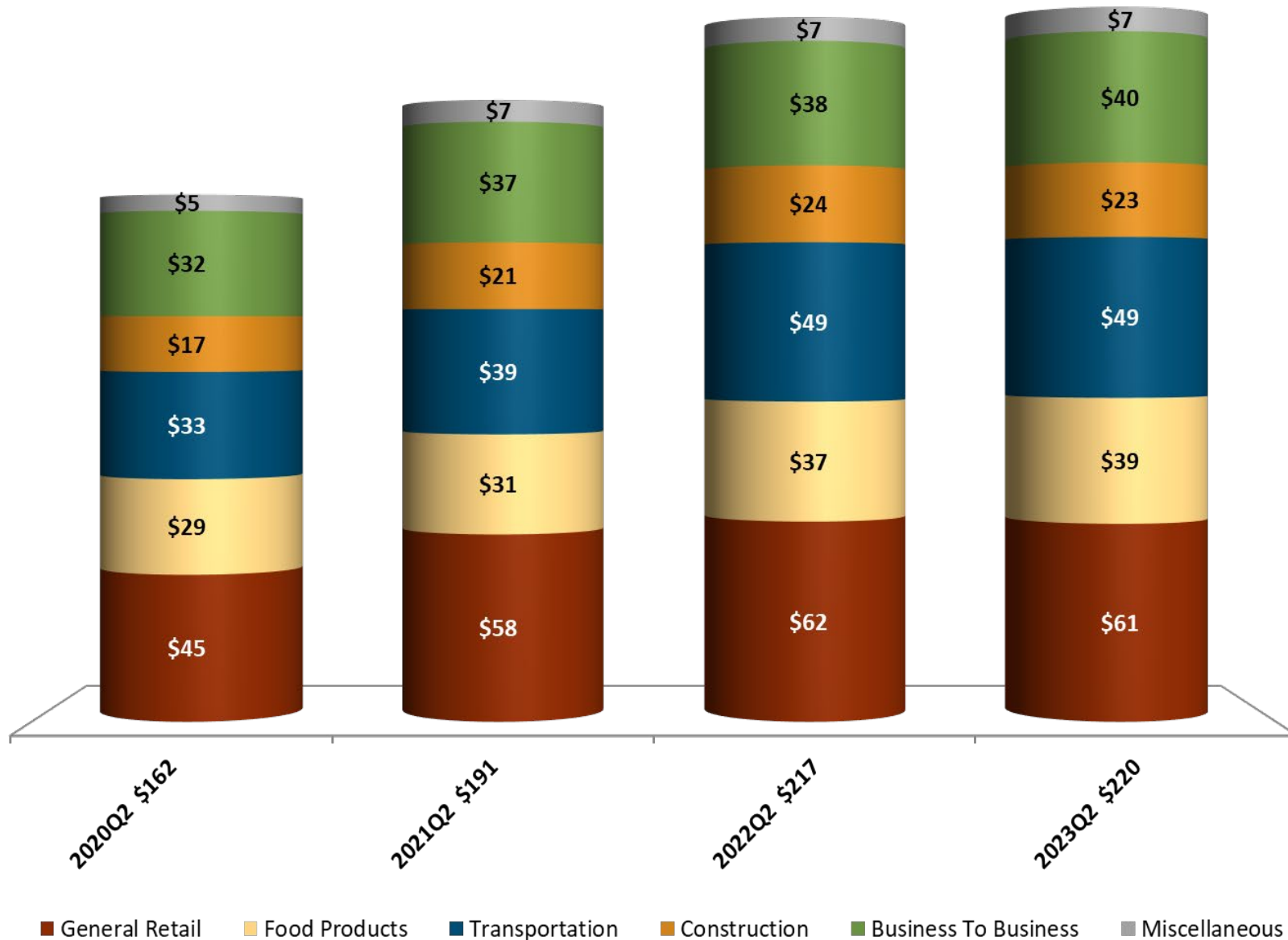
Adjusted for Inflation



Santa Ana Measure X Annual Per Capita Sales Tax



Santa Ana Measure X Annual Per Capita Sales Tax Adjusted for Inflation

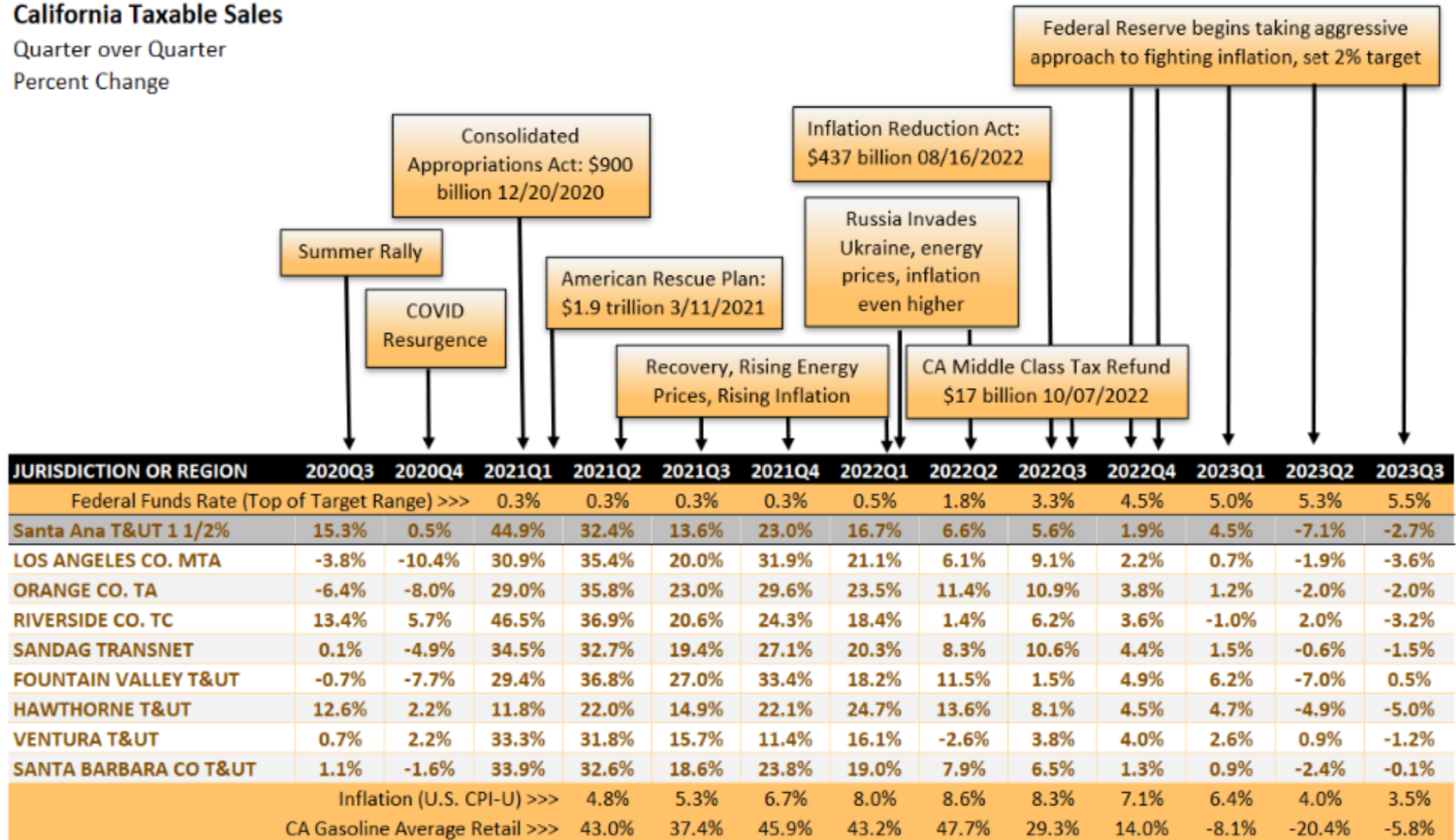


Adjusted for Inflation (2014 Dollars)

Santa Ana Measure X Compared to other District Taxes

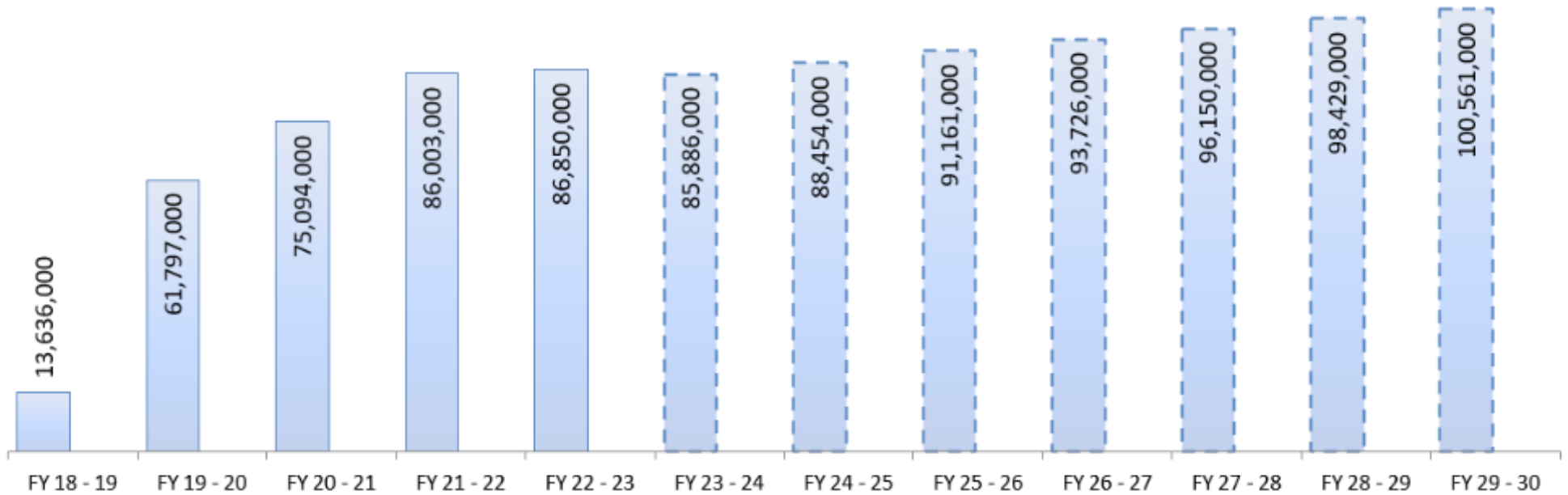
California Taxable Sales

Quarter over Quarter
Percent Change



Santa Ana Measure X Transactions and Use Tax Forecast

Voter Approved	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27	FY 27 - 28	FY 28 - 29	FY 29 - 30
Cash Projection	86,850,000	85,886,000	88,454,000	91,161,000	93,726,000	96,150,000	98,429,000	100,561,000
Percent Change	1.0%	-1.1%	3.0%	3.1%	2.8%	2.6%	2.4%	2.2%



Measure X Forecast Assumptions

- Sales tax revenue growth is expected to be below historical averages for the third and fourth quarters of 2023 and most of 2024. This is due to several factors, including the possibility of a recession, climate change, political disruptions, geopolitical instability and economic volatility. While the possibility of a recession should not be ignored, continued low unemployment and tight labor markets indicate that a severe downturn is unlikely.
- Our conservative growth forecast is partly due to the following risks and the impacts they may have to consumer confidence:
 - War: Russia/Ukraine, China/Taiwan, and other geopolitical instabilities
 - Climate change: Severe weather events and related migrations
 - Politics: Uncertainty over elections in 2024, changes in leadership and policies
 - Economics: Inflation, high interest rates, oil price shocks, instability in stock markets, inverted yield curve impacting investment decisions, and unstable commercial real estate markets in large urban centers

Measure X Forecast Assumptions

U.S. Real GDP

QTR over QTR Annualized

2023Q1	2.0%
2023Q2	2.1%
2023Q3	2.7%
2023Q4	2.0%
2024Q1	1.6%
2024Q2	0.9%
2024Q3	0.1%
2024Q4	0.9%
2025Q1	2.0%
2025Q2	2.2%
2025Q3	2.7%
2025Q4	2.8%

Projections from



U.S. Core PCE Inflation

QTR over QTR Annualized

2023Q1	4.9%
2023Q2	3.8%
2023Q3	2.4%
2023Q4	2.6%
2024Q1	3.2%
2024Q2	3.3%
2024Q3	3.2%
2024Q4	3.1%
2025Q1	3.0%
2025Q2	3.0%
2025Q3	3.0%
2025Q4	3.1%

	2018	2019	2020	2021	2022	2023	2024	2025
CA Taxable Sales	4.3%	3.7%	-3.5%	22.1%	10.3%	1.0%	4.5%	3.9%
CA Personal Income	4.9%	5.6%	8.7%	7.7%	0.1%	3.9%	4.4%	5.0%
Consumer Prices	3.7%	2.9%	1.8%	4.2%	7.3%	4.1%	3.2%	2.9%
Employment	1.2%	0.8%	-8.5%	3.2%	4.8%	0.7%	1.0%	0.8%

Source: UCLA Anderson Forecast

Santa Ana Measure X Summary

- Slow growth in Sales Tax Revenues is forecasted, especially in the next year.
- The Cost of Services, (mostly non-taxable), is currently rising much faster than the Cost of Commodities, (many taxable), leaving less disposable income available to make taxable purchases, (slowing growth of Sales Taxes).
- Relative Price Changes, (especially of gasoline, diesel and jet fuel), impact Sales Tax Revenues both directly and indirectly. We are watching them closely and factoring them into the Transactions and Use Tax Forecast.