

Q2 2018



South El Monte Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

South El Monte In Brief

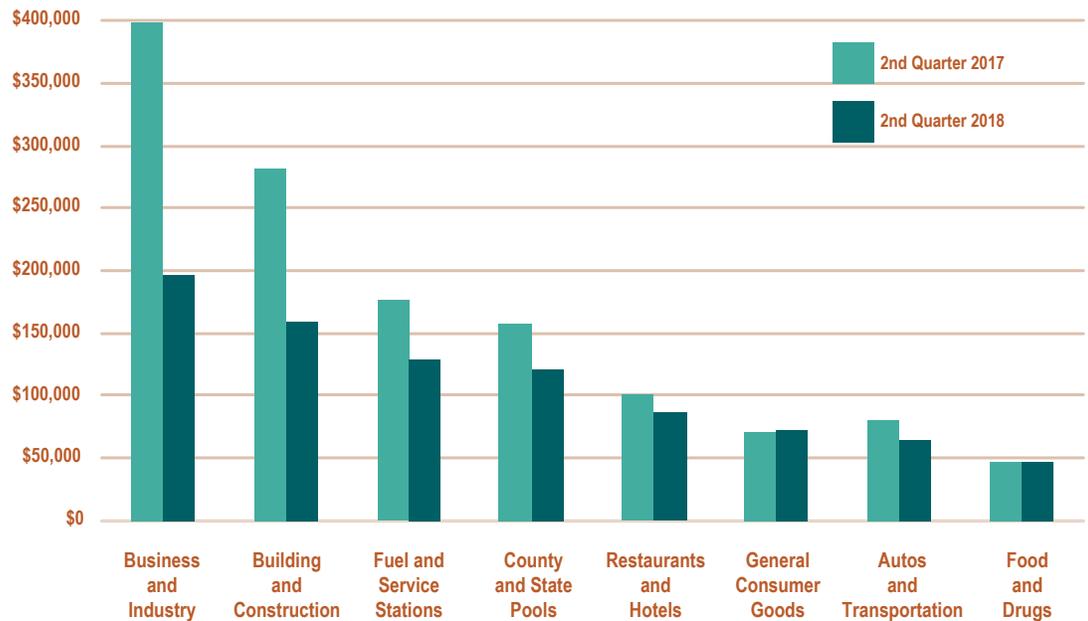
South El Monte's receipts from April through June were 33.3% below the second sales period in 2017 though the decline was primarily the result of the State's transition to a new software and reporting system that caused a delay in processing thousands of payments statewide. Sizable local allocations remain outstanding for heavy industrial and related business-industrial suppliers, contractors, plumbing/electrical suppliers and service stations.

Given the incomplete data, it appears that actual sales were down modestly excluding payment aberrations. The decline was primarily the result of a decrease in business-industrial receipts.

The City's voter approved half-cent transaction tax, Measure R, generated an additional \$435,000, a decrease of 19.5% compared to last year. Measure R receipts were impacted by the same payment delays that impinged the City's share of the local 1% sales tax revenue this quarter.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.6% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	LBC Lighting
Asia Building Supply	Marshalls
Bestile Cabinet & Stone Depot	McDonalds
BIG Enterprises	Peck Durfee Mobil
Cardinal Paint & Powder	Quartz Max
Castle Granite	Smardan Supply
Chevron	Southeast Concrete Products
El Monte Gas N Save	Southwest Wear Parts
El Monte Green Petroluem	Sunset Ladder
Gilmore Liquid Air	Superior Grocers
IMS	T Mobile
KB Stone & Cabinet	Tile Depot
	USA Gas

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$4,330,394	\$3,979,049
County Pool	601,513	570,113
State Pool	2,340	2,337
Gross Receipts	\$4,934,246	\$4,551,499
Measure R	\$2,077,477	\$1,957,553

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

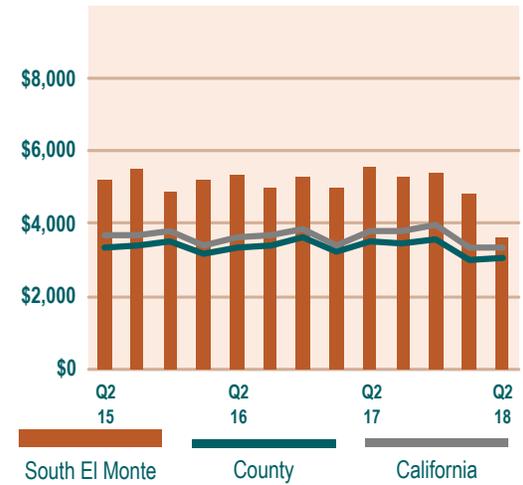
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

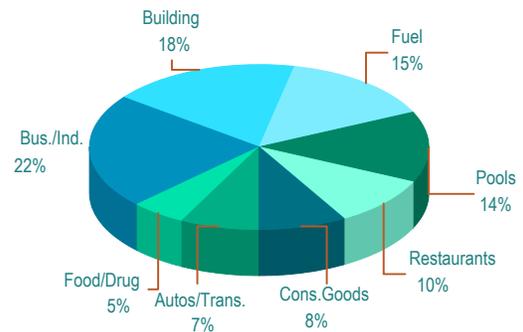
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
South El Monte This Quarter



SOUTH EL MONTE TOP 15 BUSINESS TYPES

Business Type	South El Monte		County	HdL State
	Q2 '18	Change	Change	Change
Auto Repair Shops	21,806	-28.3%	-14.7%	-14.8%
Automotive Supply Stores	18,996	2.3%	-10.3%	-11.6%
Contractors	113,915	-34.3%	-14.1%	-10.7%
Convenience Stores/Liquor	19,709	-12.3%	-6.9%	-8.7%
Drugs/Chemicals	— CONFIDENTIAL —		-31.1%	-27.5%
Electronics/Appliance Stores	16,775	24.1%	-7.0%	-5.1%
Family Apparel	— CONFIDENTIAL —		-27.3%	-27.2%
Food Service Equip./Supplies	20,726	-25.2%	-17.1%	-20.0%
Grocery Stores	— CONFIDENTIAL —		-12.1%	-7.0%
Heavy Industrial	63,572	-24.1%	-32.5%	-26.2%
Light Industrial/Printers	41,138	-30.1%	-24.3%	-26.1%
Plumbing/Electrical Supplies	30,754	-56.2%	-2.4%	-6.8%
Quick-Service Restaurants	65,442	-10.0%	-6.0%	-6.0%
Service Stations	119,455	-28.5%	-23.6%	-26.5%
Used Automotive Dealers	17,655	-26.6%	-41.4%	-41.5%
Total All Accounts	756,425	-34.7%	-11.9%	-12.2%
County & State Pool Allocation	120,599	-23.5%	3.2%	5.5%
Gross Receipts	877,024	-33.3%	-10.1%	-10.1%