

Q3 2018



South El Monte Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

South El Monte In Brief

South El Monte's receipts from July through September were 41.5% above the third sales period in 2017 though results were skewed by catch-up payments owed from last quarter, which had been delayed by the State's recent transition to a new software and reporting system. The double-up payments inflated numerous categories including service stations, contractors and business-industrial suppliers. An adjustment to account for a prior-year equipment sale also skewed light industrial/printers. Excluding reporting aberrations, actual sales were up 0.6%.

On an adjusted basis, results benefited from the recent relocation of a new general-consumer-goods business to the City.

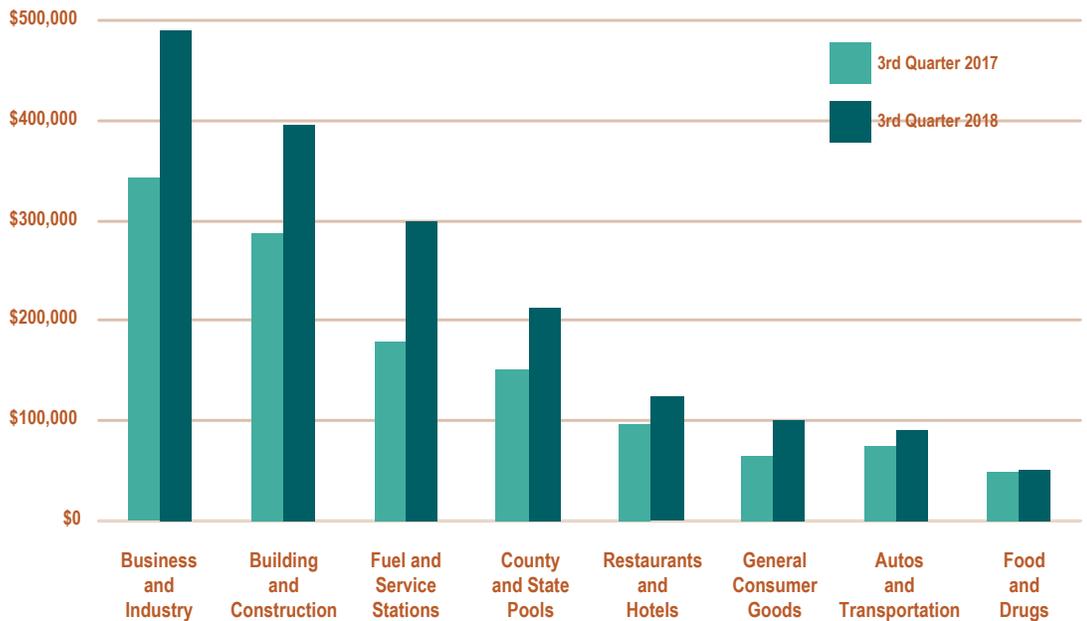
Sales were strong for the City's contractors as building-construction activity remained elevated across Southern California. Service station results also increased.

Business-industrial sales fell, however, restraining the overall rate of improvement.

The City's voter-approved transaction tax, Measure R, generated an additional \$713,000.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.0% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

2010 Office Furniture	Garvey Mart & Service
Ace Lumber & Supply	Greencastle Cabinetry
American Auctioneers Group	Leader Industries
Arco AM PM	Marshalls
Asia Building Supply	Paradise Steel
Chevron	Peck Durfee Mobil
Compressor Parts & Repair	Shell
DDC Electric Supply	Shell
El Monte Ornamental Supply	Smardan Supply Co
Element Vape	Southeast Concrete Products
Exquisite Cabinet & Counter Top	SPJ Lighting
	Superior Grocers
	TI Systems Corporation
	USA Gas

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$1,095,859	\$1,553,368
County Pool	150,985	210,843
State Pool	858	797
Gross Receipts	\$1,247,701	\$1,765,009
Measure R	\$555,255	\$712,970

California Overall

The CDTEFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

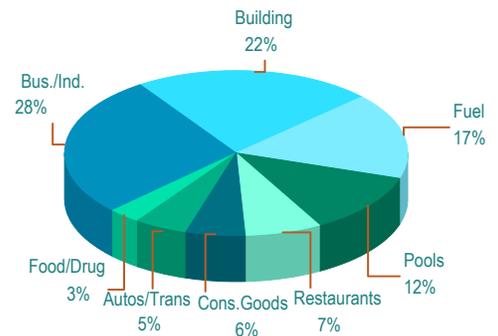
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
South El Monte This Quarter



SOUTH EL MONTE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	South El Monte Q3 '18*	South El Monte Change	County Change	HdL State Change
Auctioneers	— CONFIDENTIAL —	—	10.1%	13.6%
Auto Repair Shops	29.8	23.4%	16.4%	14.4%
Automotive Supply Stores	27.4	20.2%	7.7%	8.3%
Building Materials	40.0	11.3%	36.3%	29.8%
Casual Dining	35.6	73.0%	16.3%	14.8%
Contractors	261.7	45.3%	44.1%	37.6%
Convenience Stores/Liquor	24.4	7.0%	16.2%	20.6%
Heavy Industrial	115.0	41.9%	39.0%	30.5%
Light Industrial/Printers	98.6	93.1%	27.1%	29.0%
Office Supplies/Furniture	— CONFIDENTIAL —	—	27.9%	9.3%
Plumbing/Electrical Supplies	90.7	34.7%	11.9%	15.9%
Quick-Service Restaurants	76.8	16.4%	11.5%	13.4%
Service Stations	289.5	69.5%	43.8%	43.1%
Trailers/Auto Parts	— CONFIDENTIAL —	—	26.1%	28.3%
Used Automotive Dealers	26.7	22.6%	50.2%	46.9%
Total All Accounts	1,553.4	41.7%	21.7%	21.8%
County & State Pool Allocation	211.6	39.4%	19.7%	27.8%
Gross Receipts	1,765.0	41.5%	21.5%	22.6%