

Q1 2017



South El Monte Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

South El Monte In Brief

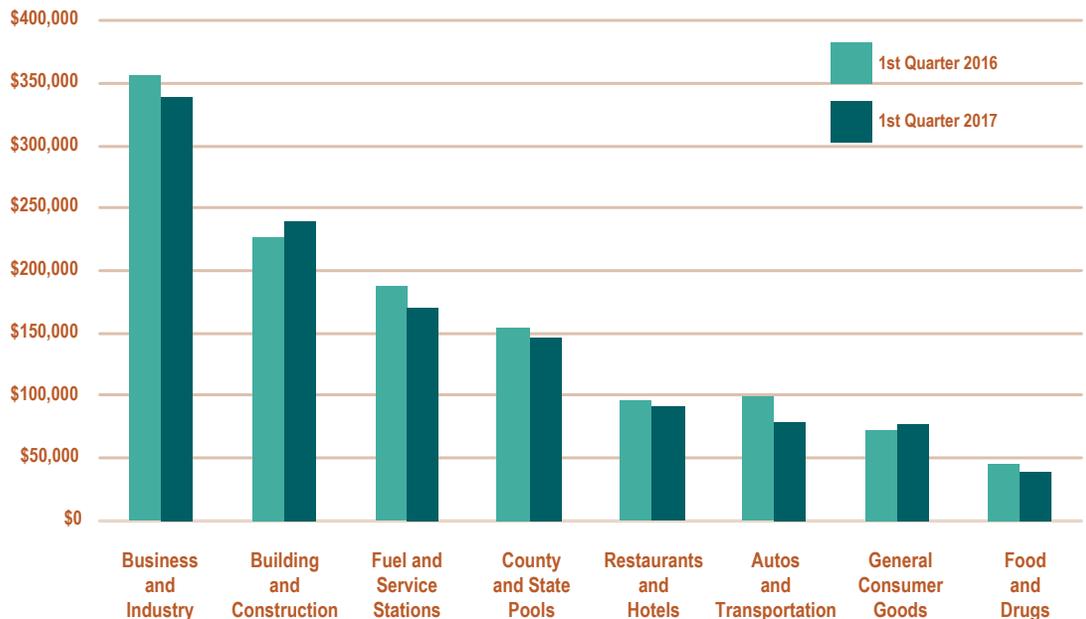
South El Monte's allocation of sales and use tax from its January through March sales was 4.4% lower than the first quarter of 2016. Actual sales activity was down 1.4% after factoring for accounting anomalies.

A soft quarter for used cars, grocers and some categories of industrial sales were primarily responsible for the actual decrease. The losses were partially offset by gains in building-construction materials, food manufacturer supplies and both consumer and industrial electronics.

South El Monte's voter approved Measure "R" added \$501,243 to the amounts discussed above and was 2.4% higher than the same quarter one year ago. The gains from this source came primarily from contractor and business purchases and from a onetime purchase within the general consumer goods group.

Adjusted for aberrations, sales and use tax receipts for all of Los Angeles County grew 2.1% over the comparable time period while Southern California as a whole, was up 2.0%.

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	King Building Materials
Arco AM PM	Leader Industries
Asia Building Supply	Marshalls
Cardinal Paint & Powder	McDonalds
Chevron	Mikes Shell
DDC Electric Supply	Peck Durfee Mobil
El Monte Gas N Save	Quartz Max
El Monte Ornamental Supply	S & M Oil
Exquisite Cabinet & Counter Top	Smardan Hatcher
	Southeast Concrete Products
	Superior Grocers
	USA Gas

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$4,318,425	\$4,275,805
County Pool	577,339	608,968
State Pool	2,720	3,332
Gross Receipts	\$4,898,484	\$4,888,106
Less Triple Flip*	\$(915,203)	\$0
Measure R	\$1,967,128	\$2,040,873

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

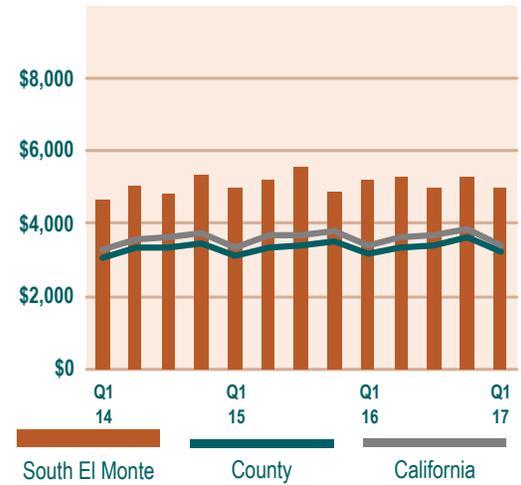
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

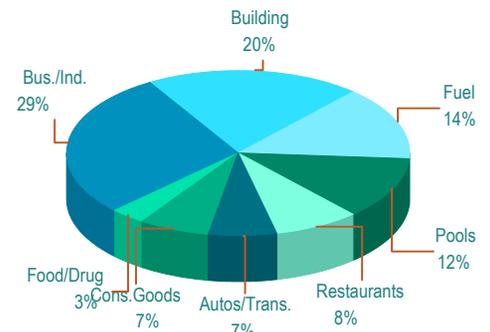
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

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 Q1 '17*	Change	County Change	HdL State Change
Auto Repair Shops	23.6	-14.7%	3.8%	5.1%
Automotive Supply Stores	23.4	-24.0%	-0.3%	0.0%
Building Materials	31.5	7.9%	7.1%	3.1%
Contractors	155.6	14.5%	4.6%	-3.9%
Electronics/Appliance Stores	21.5	27.7%	0.1%	-0.3%
Family Apparel	— CONFIDENTIAL —		-0.6%	0.8%
Food Service Equip./Supplies	28.9	44.3%	14.5%	11.6%
Heavy Industrial	59.9	-23.8%	-1.8%	3.0%
Light Industrial/Printers	49.6	-4.8%	1.9%	7.4%
Plumbing/Electrical Supplies	48.4	-19.8%	-1.7%	-1.6%
Quick-Service Restaurants	66.2	-3.0%	4.9%	4.6%
Repair Shop/Equip. Rentals	17.4	6.8%	-9.6%	-5.9%
Service Stations	162.8	-9.1%	6.8%	10.0%
Trailers/Auto Parts	— CONFIDENTIAL —		-16.0%	-10.9%
Used Automotive Dealers	23.0	-31.8%	3.5%	1.9%
Total All Accounts	1,036.0	-4.4%	2.6%	1.8%
County & State Pool Allocation	146.9	-4.4%	2.6%	2.9%
Gross Receipts	1,182.9	-4.4%	2.6%	1.9%