

Q2 2017



South El Monte Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

South El Monte In Brief

South El Monte's receipts from April through June were 3.6% above 2016's second quarter results. Net of reporting aberrations, actual sales were up 7.6%.

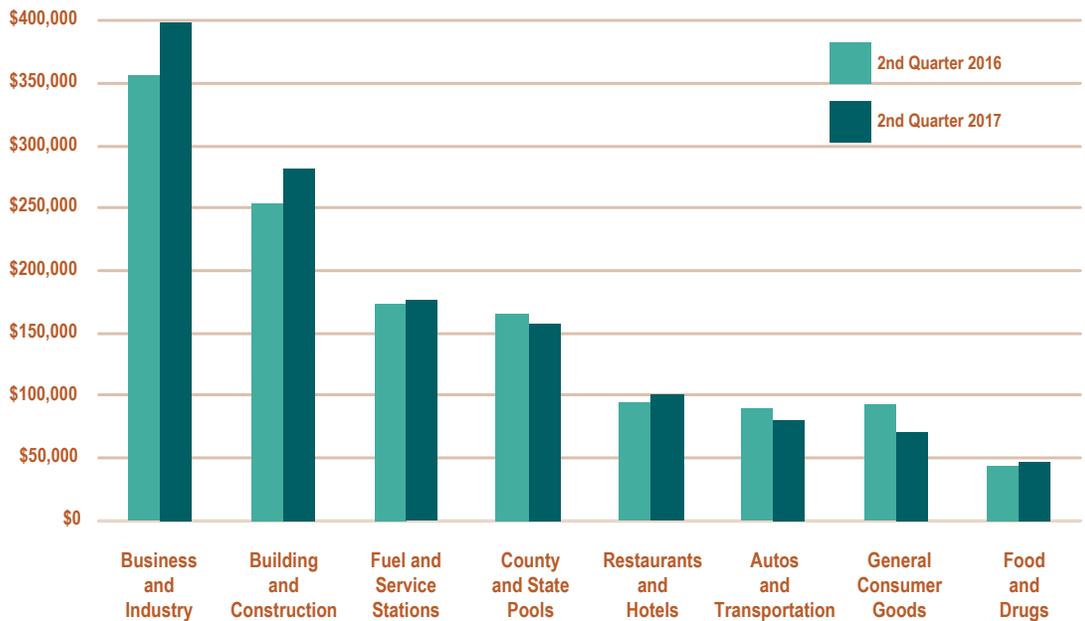
Most major industry groups were up but business-industry and building-construction segments generated most of the quarterly increase. Restaurant-hotel and food-drug sales grew and outpaced county-wide trends. Despite rising gasoline prices, fuel and service station gains were modest.

Softer sales at used auto dealers caused the decrease in the autos and transportation category. A combination of retroactive accounting adjustments and business close-outs caused the decline in general consumer goods results. Overtime aberrations that inflated year-ago proceeds caused the decrease in the City's allocation from the county-wide tax pool.

After factoring out reporting anomalies, revenues from the City's voter-approved Measure R were up 8.6%.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.9% over the like period in 2016; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

2010 Office Furniture	Greencastle Cabinetry
Ace Lumber & Supply	IMS
American Auctioneers Group	Lawrence Equipment
Arco AM PM	Leader Industries
Asia Building Supply	Marshalls
Chevron	McDonalds
Coast Appliance Parts	Peck Durfee Mobil
DDC Electric Supply	Quartz Max
El Monte Gas N Save	S&M Oil
El Monte Ornamental Supply	Shell
Exquisite Cabinet & Counter Top	Smardan Supply
	Southeast Concrete Products
	Superior Grocers
	USA Gas

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,103,282	\$1,157,870
County Pool	165,614	158,159
State Pool	387	(605)
Gross Receipts	\$1,269,284	\$1,315,424
Less Triple Flip*	\$0	\$0
Measure R	\$503,783	\$540,387

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

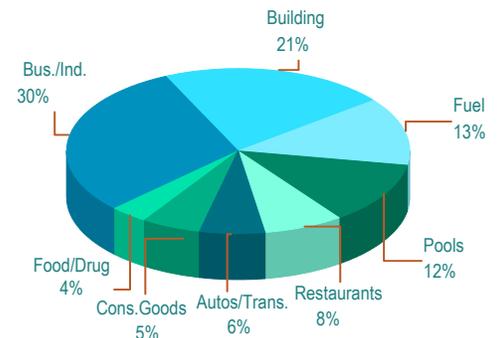
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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 Q2 '17*	Change	County Change	HdL State Change
Auto Repair Shops	30.4	22.2%	4.6%	9.2%
Building Materials	34.4	-4.1%	6.2%	6.1%
Contractors	173.3	14.7%	7.9%	9.5%
Convenience Stores/Liquor	22.5	18.6%	5.0%	5.2%
Drugs/Chemicals	— CONFIDENTIAL —	—	-5.9%	-2.3%
Food Service Equip./Supplies	26.8	-24.8%	0.2%	0.6%
Heavy Industrial	84.6	4.9%	-6.9%	0.6%
Light Industrial/Printers	59.3	-6.0%	1.6%	5.6%
Office Supplies/Furniture	— CONFIDENTIAL —	—	38.6%	250.4%
Plumbing/Electrical Supplies	70.2	11.3%	4.9%	3.7%
Quick-Service Restaurants	73.9	10.5%	5.5%	5.8%
Repair Shop/Equip. Rentals	21.6	10.0%	-5.1%	3.4%
Service Stations	167.2	2.0%	9.5%	8.6%
Trailers/Auto Parts	— CONFIDENTIAL —	—	-8.1%	-9.7%
Used Automotive Dealers	24.0	-26.3%	4.3%	2.7%
Total All Accounts	1,157.9	4.9%	4.8%	6.4%
County & State Pool Allocation	157.6	-5.1%	-5.2%	-9.9%
Gross Receipts	1,315.4	3.6%	3.5%	4.1%