

Q3 2017



South El Monte Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

South El Monte In Brief

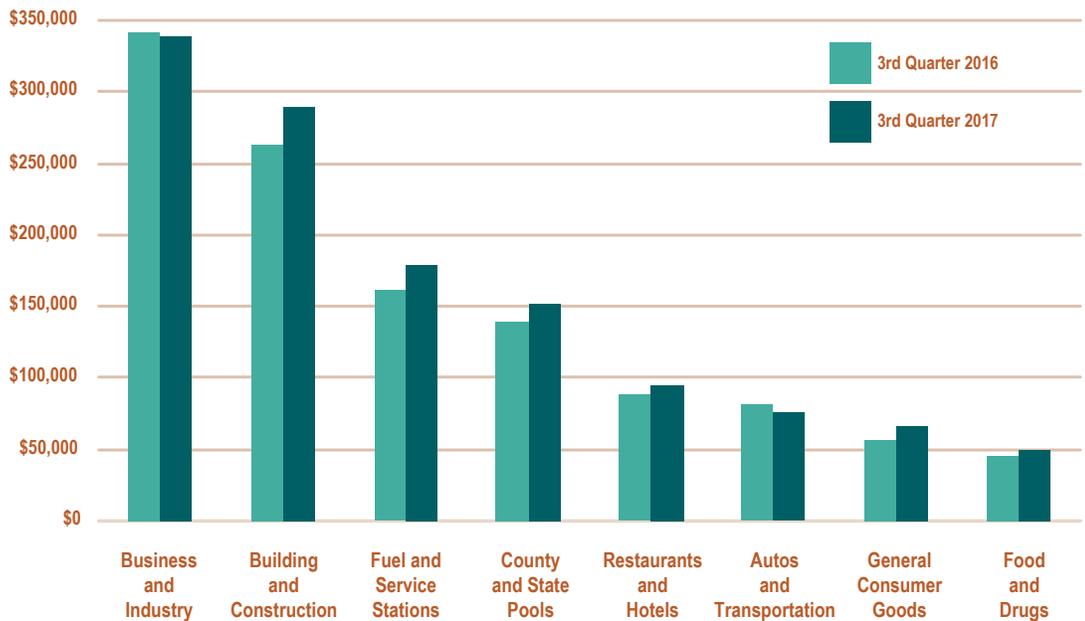
South El Monte's receipts from July through September were 6.1% above the third sales period in 2016, boosted by the reversal last year of a previously misallocated business-industrial payment. Excluding reporting aberrations, actual sales were up 0.8%.

The booming regional construction market lifted contractor and plumbing/electrical supply sales. Service station revenue was also higher, but the rate of improvement was overstated by a payment anomaly.

The City's voter-approved transaction tax, Measure R, generated an additional \$555,000, an increase of 11.1% that was led by higher contractor sales.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

2010 Office Furniture	Greencastle Cabinetry
Ace Lumber & Supply	King Building Materials
Arco AM PM	LBC Lighting
Asia Building Supply	Leader Industries
Bestile Cabinet & Stone Depot	Marshalls
Cardinal Paint & Powder	McDonalds
Chevron	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 Co
	Southeast Concrete Products
	Superior Grocers
	USA Gas

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,140,647	\$2,253,729
County Pool	304,286	309,144
State Pool	743	252
Gross Receipts	\$2,445,677	\$2,563,125
Measure R	\$1,003,683	\$1,095,642

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

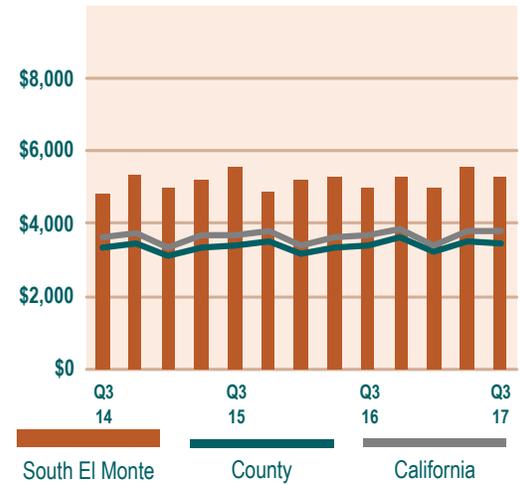
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

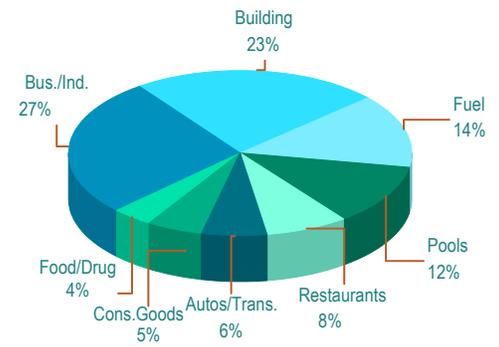
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

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 '17*	Change	County Change	HdL State Change
Auto Repair Shops	24.1	-7.5%	1.3%	3.7%
Automotive Supply Stores	22.8	-4.1%	1.8%	3.7%
Building Materials	37.2	-10.4%	3.3%	5.6%
Contractors	180.1	12.1%	14.0%	6.5%
Convenience Stores/Liquor	22.8	8.3%	7.1%	7.8%
Grocery Stores	— CONFIDENTIAL —	—	0.3%	0.6%
Heavy Industrial	81.8	-1.8%	-5.4%	6.2%
Light Industrial/Printers	52.1	-2.4%	-5.2%	-4.7%
Office Supplies/Furniture	— CONFIDENTIAL —	—	13.1%	-1.7%
Plumbing/Electrical Supplies	69.2	27.4%	3.4%	4.6%
Quick-Service Restaurants	69.9	7.4%	3.7%	4.8%
Repair Shop/Equip. Rentals	21.1	-29.4%	-2.2%	7.7%
Service Stations	170.8	11.7%	6.8%	9.2%
Trailers/Auto Parts	— CONFIDENTIAL —	—	8.9%	-10.8%
Used Automotive Dealers	21.8	-8.8%	2.9%	2.9%
Total All Accounts	1,095.9	5.6%	3.2%	4.1%
County & State Pool Allocation	151.8	9.2%	6.7%	4.8%
Gross Receipts	1,247.7	6.1%	3.6%	4.2%