

Q3 2016



South El Monte Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

South El Monte In Brief

South El Monte's receipts from July through September were 8.3% below the third sales period in 2015. However, the correction of a previously misallocated payment exaggerated the decline. Excluding reporting aberrations, actual sales were only down 2.1%.

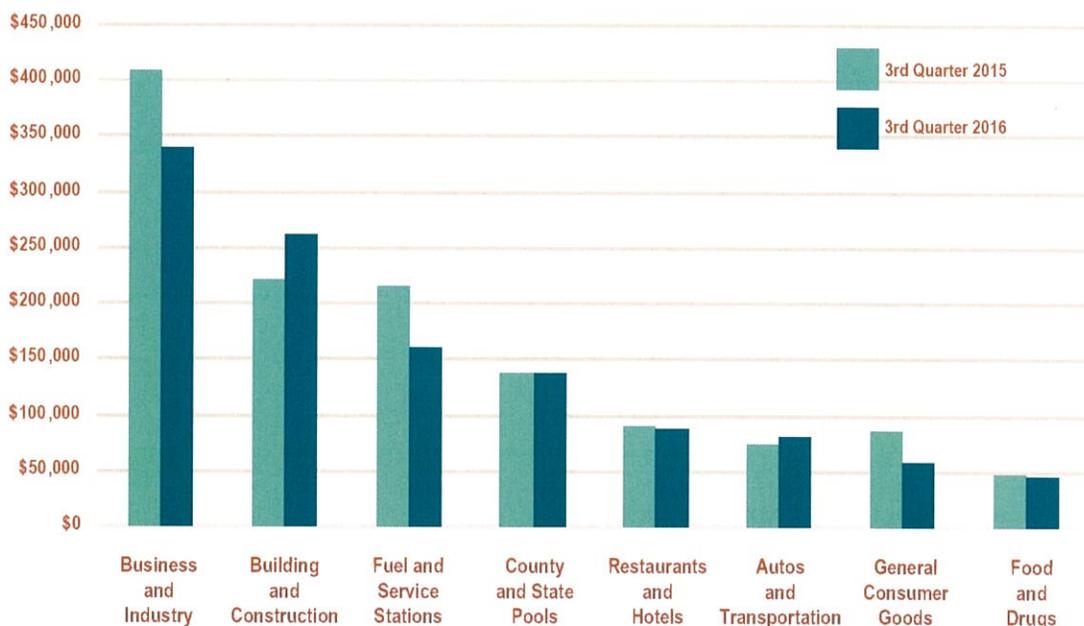
Decreased revenue from service stations, where local gas prices remained lower than the prior year, accounted for 51% of the overall drop in receipts. Onetime payments which spiked the comparison period and soft summer sales by retailers hurt general consumer goods.

However, the continued stable housing market supported growth reported by contractor and plumbing/electrical suppliers partially offsetting the losses. While increased demand to maintain vehicles led to solid returns from auto repair and supply shops.

The City's voter-approved transaction tax, Measure R, generated an additional \$499,901, a decrease of 2.2% largely due to the same depressed results from gas stations.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.8% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

2010 Office Furniture	Greencastle Cabinetry
Ace Lumber	LBC Lighting
American Auctioneers Group	Leader Industries
Arco AM PM	Marshalls
Asia Building Supply	McDonalds
Cardinal Paint & Powder	Mikes Shell
Chevron	Peck Durfee Mobil
DDC Electric Supply	Quartz Max
El Monte Ornamental Supply	S & M Oil
Exquisite Cabinet & Counter Top	Smardan Hatcher
Garvey Mart & Service	SoCal Tents & Events
	Southeast Concrete Products
	Superior Grocers
	USA Gas

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,223,614	\$2,140,647
County Pool	277,651	304,286
State Pool	1,121	743
Gross Receipts	\$2,502,386	\$2,445,677
Less Triple Flip*	\$(625,596)	\$0
Measure R	\$1,009,475	\$1,003,683

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

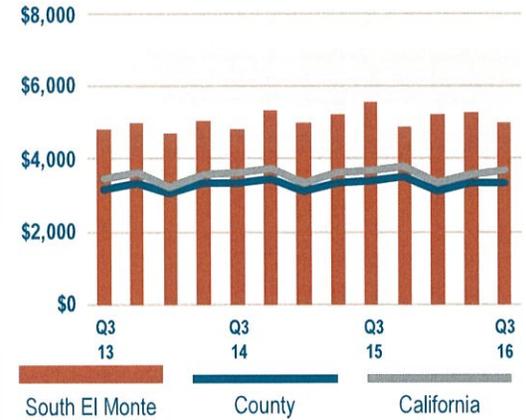
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

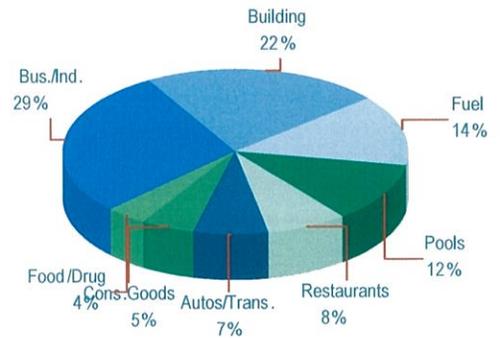
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

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 '16*	Change	County Change	HdL State Change
Auto Repair Shops	27.2	16.4%	4.7%	4.5%
Automotive Supply Stores	22.7	13.6%	4.0%	3.8%
Contractors	160.6	23.8%	0.8%	1.4%
Convenience Stores/Liquor	21.0	3.0%	2.9%	3.4%
Family Apparel	— CONFIDENTIAL —		6.4%	5.9%
Food Service Equip./Supplies	— CONFIDENTIAL —		-3.7%	-0.7%
Heavy Industrial	106.3	26.0%	7.3%	6.8%
Light Industrial/Printers	52.7	6.0%	-0.9%	-1.2%
Lumber/Building Materials	39.6	12.1%	4.8%	6.9%
Plumbing/Electrical Supplies	54.0	10.1%	1.7%	4.6%
Quick-Service Restaurants	70.3	2.0%	10.3%	8.9%
Repair Shop/Equip. Rentals	30.3	24.8%	-5.4%	8.9%
Service Stations	152.9	-26.1%	-18.3%	-13.8%
Trailers/Auto Parts	— CONFIDENTIAL —		-0.9%	15.0%
Used Automotive Dealers	23.9	-1.6%	0.9%	8.1%
Total All Accounts	1,037.4	-9.4%	0.3%	0.9%
County & State Pool Allocation	139.0	1.1%	11.9%	11.5%
Gross Receipts	1,176.4	-8.3%	1.6%	2.2%