

Q4 2016



South El Monte Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

South El Monte In Brief

Receipts from South El Monte's October through December sales were 8.7% higher than the same quarter one year ago. Actual sales activity increased 5.1% after accounting aberrations were factored out.

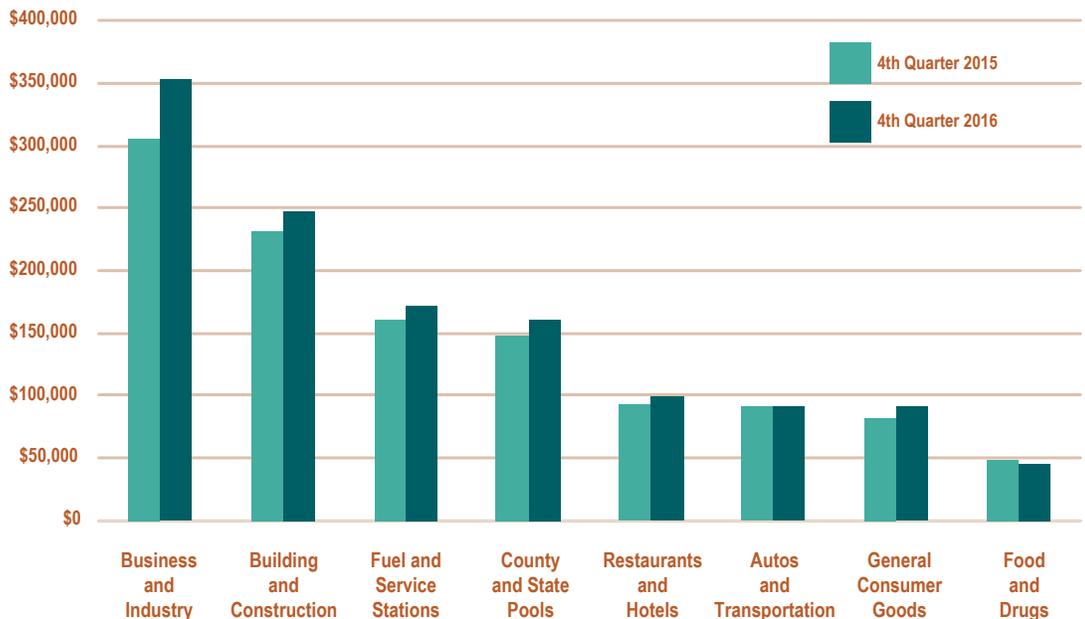
A newer business addition and stronger sales in several business to business categories buoyed business and industry revenues. Brisk contractor material and supply sales boosted building and construction returns.

A new retail outlet opening helped lift general consumer goods results. Despite continuing lower fuel prices, service station receipts were temporarily inflated by a double-up payment. A larger allocation from the countywide use tax pool was also a factor.

The City's voter-approved Measure R transaction tax generated \$535,947, an increase of 14.4%.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.2% over the comparable time period, while the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

2010 Office Furniture	Greencastle Cabinetry
American Auctioneers Group	IMS
Arco AM PM	LBC Lighting
Asia Building Supply	Leader Industries
Cardinal Paint & Powder	Marshalls
Chevron	McDonalds
Coast Appliance Parts	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

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,234,414	\$3,239,770
County Pool	422,976	463,570
State Pool	3,421	1,871
Gross Receipts	\$3,660,810	\$3,705,212
Less Triple Flip*	\$(915,203)	\$0
Measure R	\$1,477,833	\$1,539,630

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

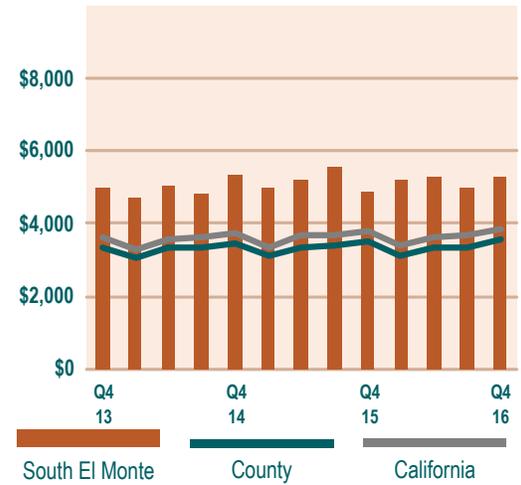
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

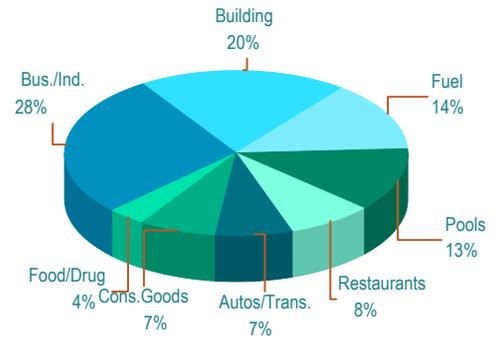
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

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 Q4 '16*	Change	County Change	HdL State Change
Auto Repair Shops	28.9	1.4%	4.0%	4.3%
Automotive Supply Stores	33.5	32.4%	-1.4%	-0.1%
Building Materials	35.8	4.9%	-1.0%	0.7%
Contractors	145.3	11.6%	2.0%	-0.1%
Electronics/Appliance Stores	21.9	130.2%	1.7%	-1.3%
Family Apparel	—	CONFIDENTIAL	3.9%	4.7%
Food Service Equip./Supplies	22.8	-14.1%	37.1%	12.5%
Heavy Industrial	85.9	3.5%	22.1%	13.0%
Light Industrial/Printers	51.5	-2.0%	-6.7%	-0.6%
Office Supplies/Furniture	—	CONFIDENTIAL	-19.6%	-9.3%
Plumbing/Electrical Supplies	64.1	-6.0%	1.1%	1.7%
Quick-Service Restaurants	69.9	9.0%	5.4%	5.7%
Service Stations	163.2	8.5%	-2.6%	-1.1%
Trailers/Auto Parts	—	CONFIDENTIAL	-13.2%	5.0%
Used Automotive Dealers	21.0	-30.4%	-2.5%	7.5%
Total All Accounts	1,099.1	8.7%	3.6%	2.4%
County & State Pool Allocation	160.4	8.7%	3.5%	6.9%
Gross Receipts	1,259.5	8.7%	3.6%	3.0%