

# Q4 2019



# South El Monte Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## South El Monte In Brief

Receipts from South El Monte's October through December sales were 12.3% higher than the same quarter last year. Actual sales activity increased 3.1% after accounting aberrations were factored out.

Due to the full implementation of AB147 (Wayfair/Marketplace Facilitators), the City's share of the countywide use tax collections was up 42.1% and was a significant factor in the overall quarterly increase.

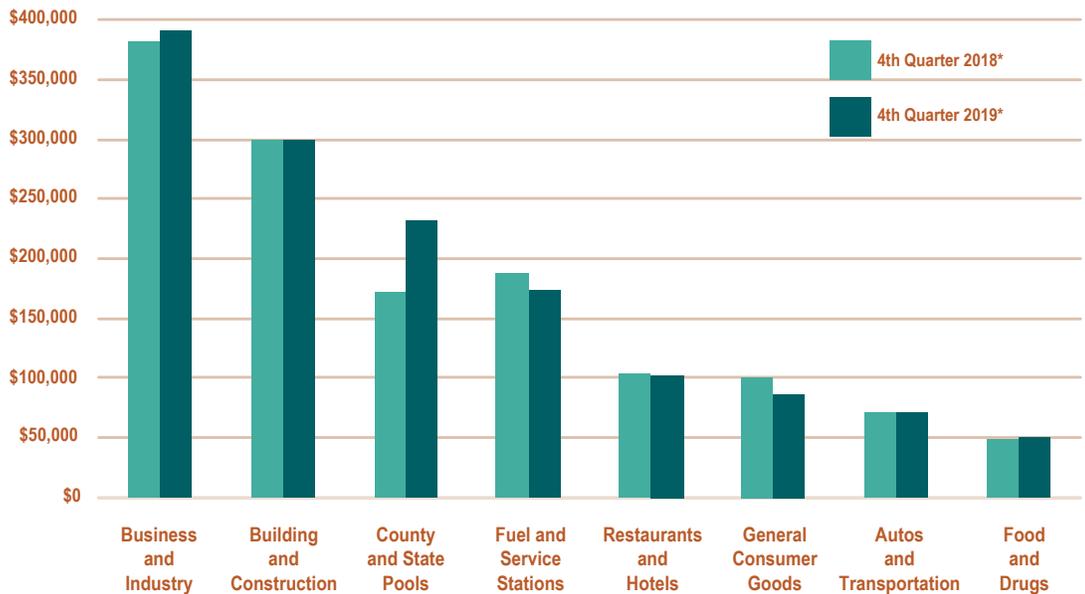
A strong sales quarter coupled with a favorable payment anomaly, buoyed business-industry results.

The gains were partially offset by a business closure and weak contractor material/supply sales which depressed building-construction returns. Additionally, a negative payment adjustment dropped restaurant revenues.

Measure R, the voter-approved transaction tax generated \$589,512 this quarter; a marginal 1% growth over the year ago quarter.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.8% over the comparable time period; the Southern California region was up 4.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

2010 Office Furniture	Exquisite Cabinet & Counter Top
Ace Lumber & Supply	Greencastle Cabinetry
American Auctioneers Group	KB Stone & Cabinet
Arco AM PM	Lawrence Equipment
Asia Building Supply	Leader Industries
Cardinal Paint & Powder	Marshalls
Castle Granite	McDonalds
Chevron	Mobil
DDC Electric Supply	Quartz Max
El Monte Ornamental Supply	Shell
Element Vape	Smardan Supply Co
	Southeast Concrete Products
	Superior Grocers
	USA Gas

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$2,649,057	\$2,373,814
County Pool	370,885	426,688
State Pool	1,331	1,064
<b>Gross Receipts</b>	<b>\$3,021,272</b>	<b>\$2,801,566</b>
<b>Measure R</b>	<b>\$1,287,418</b>	<b>\$1,204,515</b>

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

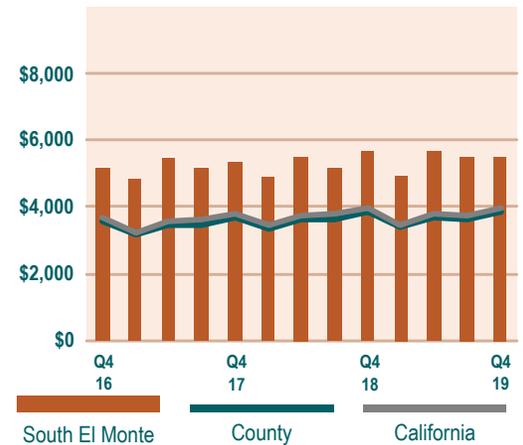
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

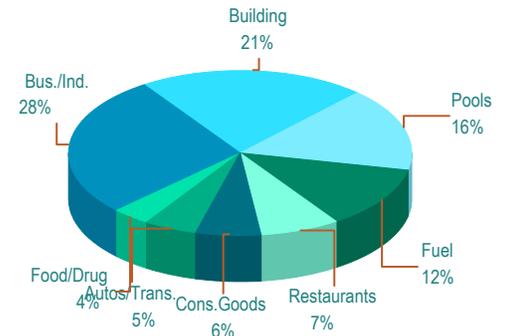
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP**  
South El Monte This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**SOUTH EL MONTE TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	South El Monte Q4 '19*	Change	County Change	HdL State Change
Auto Repair Shops	30.2	19.1%	-3.8%	-1.0%
Automotive Supply Stores	23.6	0.7%	-0.2%	0.6%
Building Materials	31.8	25.3%	1.7%	1.4%
Casual Dining	25.9	4.8%	4.3%	3.8%
Contractors	203.2	-0.3%	-4.4%	-4.4%
Convenience Stores/Liquor	22.6	7.1%	0.8%	-0.1%
Family Apparel	— CONFIDENTIAL —	—	-1.2%	1.3%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	-3.7%	-2.0%
Heavy Industrial	69.7	-11.1%	-5.6%	-3.2%
Light Industrial/Printers	54.4	-8.6%	-8.7%	-7.4%
Plumbing/Electrical Supplies	63.4	-2.4%	4.7%	-0.7%
Quick-Service Restaurants	64.4	-4.9%	0.6%	1.9%
Repair Shop/Equip. Rentals	22.9	63.8%	-4.9%	1.1%
Service Stations	164.0	-7.2%	-0.1%	0.2%
Trailers/Auto Parts	— CONFIDENTIAL —	—	40.9%	21.2%
<b>Total All Accounts</b>	<b>1,175.7</b>	<b>-1.5%</b>	<b>0.2%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>231.4</b>	<b>35.3%</b>	<b>26.7%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>1,407.1</b>	<b>3.1%</b>	<b>3.8%</b>	<b>4.2%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.