

# Q1 2020



# South El Monte Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

## South El Monte In Brief

Receipts from South El Monte's January through March sales were 17.5% lower than the same quarter last year. Actual sales activity decreased 5.0% after accounting aberrations were factored out.

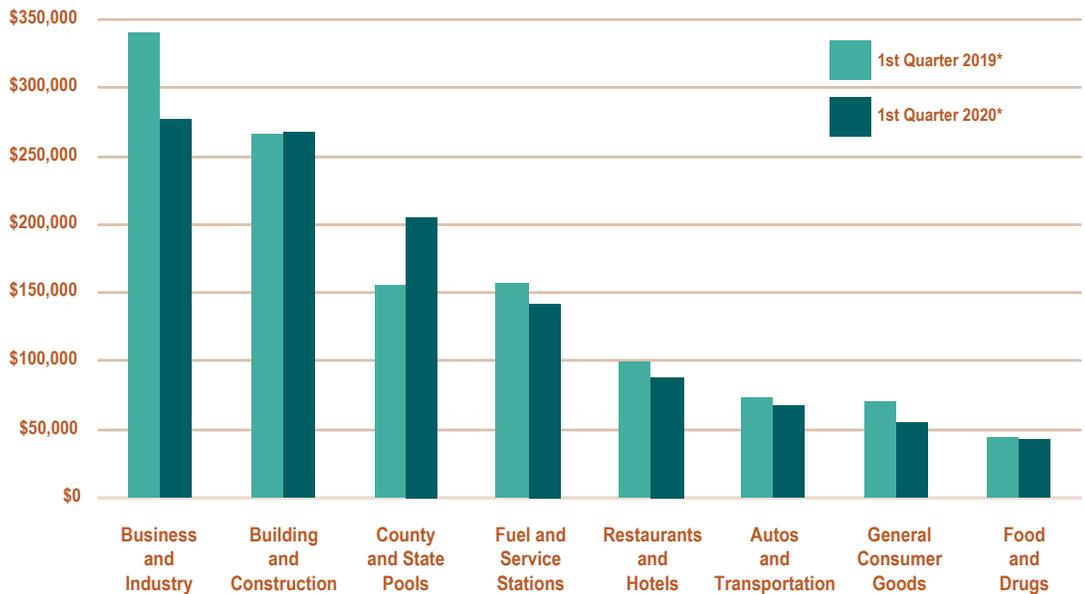
The Governor's shelter in place/partial business closures order negatively impacted most business groups. In addition, many small businesses took advantage of the Governor's deferred payment plan options and delayed tax payments further depressing cash receipts this quarter.

Due to the continued implementation of AB147 (Wayfair/Marketplace Facilitators), the City's share of the countywide use tax collections was up 24.3% and was a factor in somewhat offsetting an overall weak sales quarter.

Voter-approved Measure R, the City's transactions and use tax, added \$447,746 to the above discussed amounts.

Net of aberrations, taxable sales for all of Los Angeles County declined 5.3% over the comparable time period; the Southern California region was down 4.1%.

## 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
American Auctioneers Group	Greencastle Cabinetry
Arco AM PM	KB Stone & Cabinet
Asia Building Supply	Leader Industries
Cardinal Paint & Powder	Marshalls
Castle Granite	McDonalds
Chevron	Mobil
CVS Pharmacy	Quartz Max
DDC Electric Supply	Shell
El Monte Gas N Save	Smardan Supply Co
El Monte Ornamental Supply	Southeast Concrete Products
	Superior Grocers
	Thompson Industrial Supply
	USA Gas

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$3,728,721	\$3,197,270
County Pool	532,547	627,665
State Pool	1,942	1,808
<b>Gross Receipts</b>	<b>\$4,263,210</b>	<b>\$3,826,743</b>
<b>Measure R</b>	<b>\$1,809,632</b>	<b>\$1,652,262</b>

**Statewide Results**

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

**New Challenges & Opportunities**

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

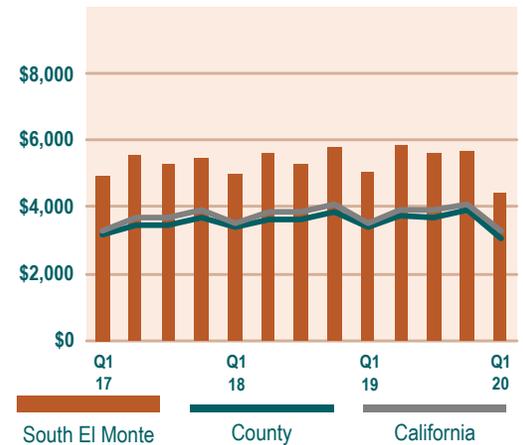
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

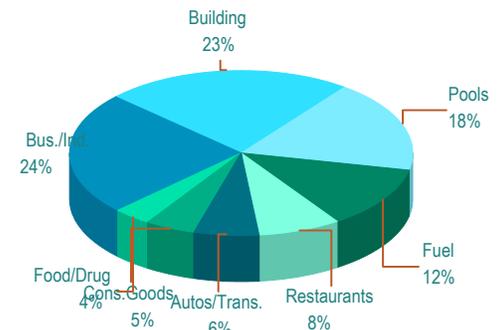
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**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	South El Monte		County	HdL State
	Q1 '20	Change	Change	Change
Auto Repair Shops	25,993	6.0%	-10.7%	-7.5%
Automotive Supply Stores	22,341	-4.5%	-12.3%	-9.5%
Building Materials	19,151	-10.8%	1.4%	3.0%
Casual Dining	23,912	-4.6%	-19.4%	-18.8%
Contractors	196,411	6.1%	-3.3%	3.2%
Convenience Stores/Liquor	15,029	-19.9%	-6.5%	-4.4%
Family Apparel	— CONFIDENTIAL —	—	-22.6%	-21.1%
Food Service Equip./Supplies	20,935	-18.7%	-6.1%	-5.8%
Grocery Stores	— CONFIDENTIAL —	—	9.3%	11.8%
Heavy Industrial	75,814	-1.3%	-7.4%	-6.4%
Light Industrial/Printers	50,597	-8.8%	-8.3%	-4.9%
Plumbing/Electrical Supplies	51,684	-7.3%	1.1%	1.5%
Quick-Service Restaurants	52,935	-15.1%	-9.5%	-8.5%
Service Stations	132,045	-10.1%	-10.3%	-9.5%
Trailers/Auto Parts	— CONFIDENTIAL —	—	17.5%	2.7%
<b>Total All Accounts</b>	<b>941,235</b>	<b>-10.4%</b>	<b>-9.9%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>205,695</b>	<b>31.8%</b>	<b>25.6%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>1,146,930</b>	<b>-5.0%</b>	<b>-5.3%</b>	<b>-3.0%</b>

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