

# Q3 2017



# City of Montebello Sales Tax *Update*

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

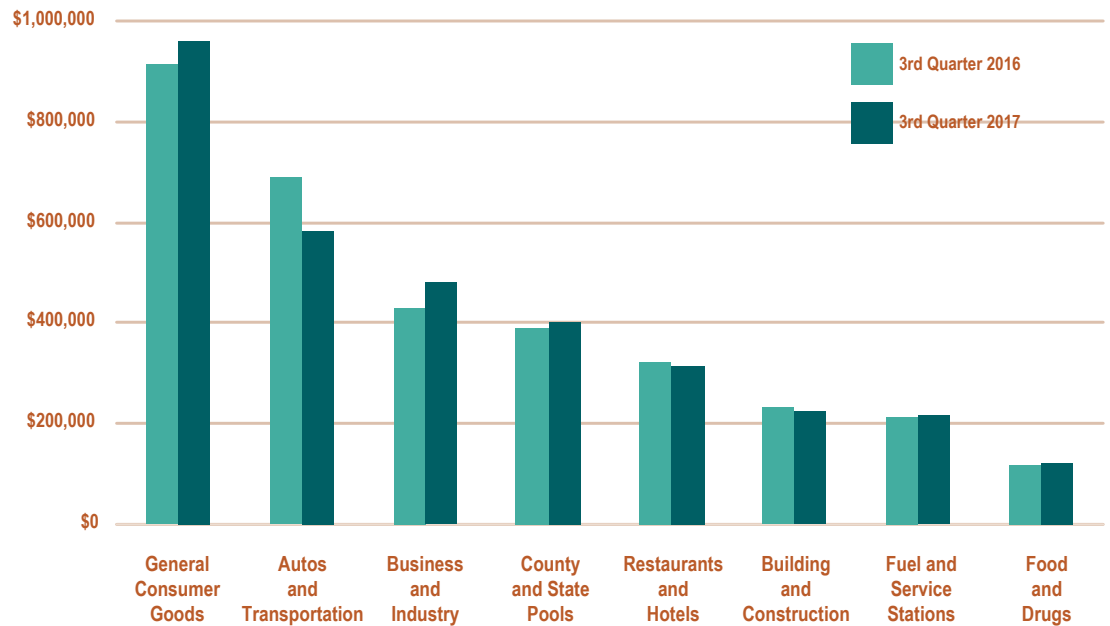
## Montebello In Brief

Montebello's allocation of sales and use tax from its July through September sales was 0.4% lower than the summer quarter of 2016.

Declines in autos, some categories of building-construction materials and restaurants were the primary factors contributing to the overall decrease. The losses were largely offset by a solid quarter for some classifications of business-industrial sales and general consumer goods.

Net of aberrations, sales and use tax receipts for all of Los Angeles County grew 3.1% over the comparable time period while the Southern California region as a whole, was up 3.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allied Building Products	HD Supply Repair & Remodeling
Arco AM PM	Inland Kenworth
Arco/Auto Repair & Electric	JC Penney
Best Buy	LA Auto Exchange
Chevrolet of Montebello	Landsberg Orora
Chevron	Marshalls
Clean Sweep Supply	Montebello Cat Scales & Fuel
Costco	PCI Industries
Empire Cleaning Supply	Ross
Ford of Montebello	Sears
Forever 21	Vertical Systems
Gale Supply	Victoria's Secret
	Westrux International

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$5,789,780	\$5,753,628
County Pool	821,082	789,345
State Pool	2,009	776
<b>Gross Receipts</b>	<b>\$6,612,871</b>	<b>\$6,543,749</b>

**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.

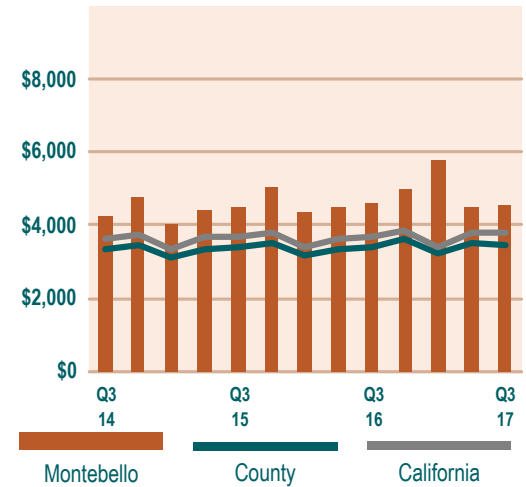
**Sales Tax and Natural Disasters**

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

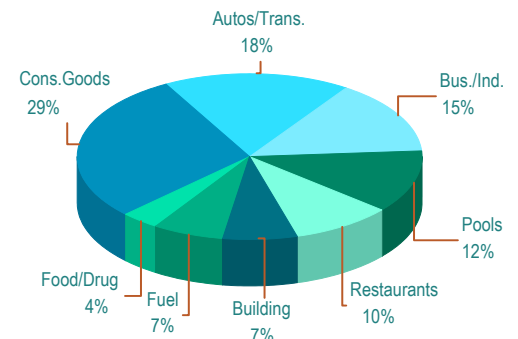
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five 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**  
Montebello This Quarter



**MONTEBELLO TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Montebello Q3 '17*	Change	County Change	HdL State Change
Building Materials	154.5	-5.2%	3.3%	5.6%
Casual Dining	119.7	-10.6%	3.3%	2.6%
Department Stores	112.0	-7.7%	-8.7%	-7.7%
Discount Dept Stores	— CONFIDENTIAL —	—	6.3%	6.1%
Electronics/Appliance Stores	140.1	3.9%	-1.2%	0.4%
Family Apparel	180.1	6.2%	3.3%	1.6%
Grocery Stores	65.1	-2.1%	0.2%	0.6%
Light Industrial/Printers	264.8	-1.5%	-5.2%	-4.7%
New Motor Vehicle Dealers	429.5	-16.9%	-4.0%	0.9%
Quick-Service Restaurants	153.4	-1.8%	3.7%	4.8%
Service Stations	200.6	0.5%	6.8%	9.2%
Shoe Stores	58.6	5.1%	-0.6%	-1.0%
Specialty Stores	63.3	9.4%	1.6%	2.2%
Used Automotive Dealers	— CONFIDENTIAL —	—	2.9%	2.9%
Women's Apparel	81.8	-8.0%	-18.3%	-12.3%
<b>Total All Accounts</b>	<b>2,899.0</b>	<b>-0.8%</b>	<b>3.2%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>401.7</b>	<b>2.6%</b>	<b>6.7%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>3,300.6</b>	<b>-0.4%</b>	<b>3.6%</b>	<b>4.2%</b>