

Q1 2018



City of Montebello Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Montebello In Brief

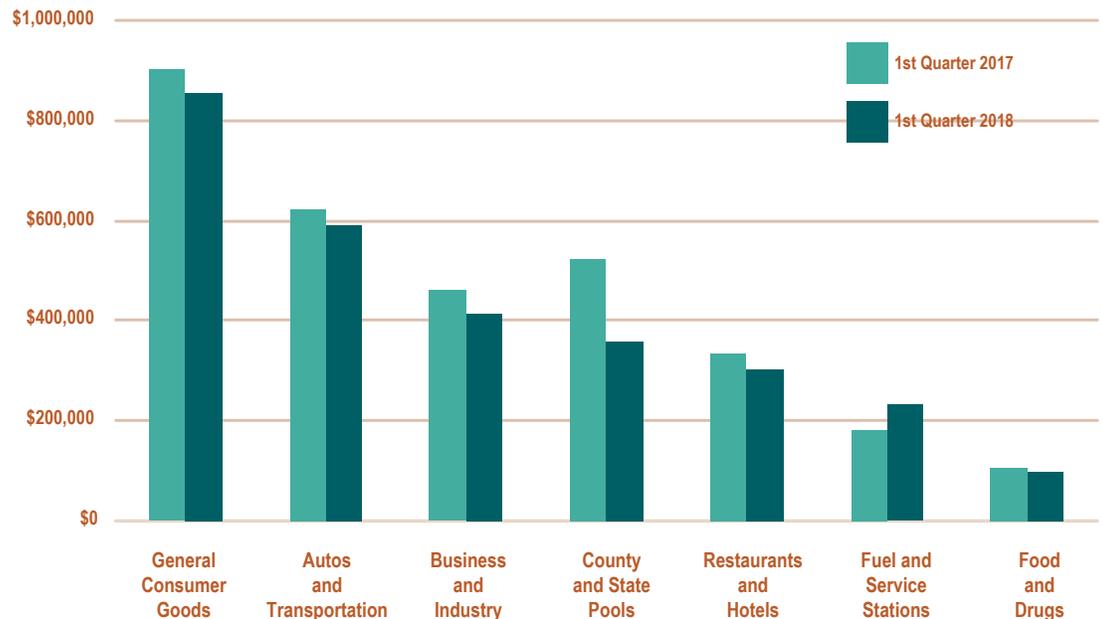
Montebello's receipts from January through March were 28.6% below the first sales period in 2017, though most of this decline was due to a large misallocation that skewed returns in the prior comparison year. This also resulted in a drop in receipts from the countywide use tax pool as these funds are distributed based on proportional cash returns within the region. Numerous payments were also delayed this quarter after the State adopted a new software and reporting system, which particularly impacted local allocations from the countywide use-tax pool, general consumer goods and casual dining categories. Excluding the aberrations, actual sales were down 2.1%.

New car sales were lower. Much of this decline, however, was offset by higher transportation/rental proceeds.

Service station results were also strong, boosted by higher demand and a tightening global oil supply that has led to an increase in the price of petroleum products statewide.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.4% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allied Building Products	Forever 21
Arco AM PM	Gale Supply
Arco/Auto Repair & Electric	Inland Kenworth
Astro Plumbing Supply	JC Penney
Best Buy	LA Auto Exchange
BJs Restaurant	Landsberg Orora
Chevrolet of Montebello	Marshalls
Chevron	PCI Industries
Clean Sweep Supply	Penske Truck Leasing
Costco	Ross
Empire Cleaning Supply	USA Gasoline
Ford of Montebello	Victoria's Secret
	Westrux International

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$12,674,243	\$11,647,985
County Pool	1,801,832	1,619,143
State Pool	10,495	4,003
Gross Receipts	\$14,486,569	\$13,271,131

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

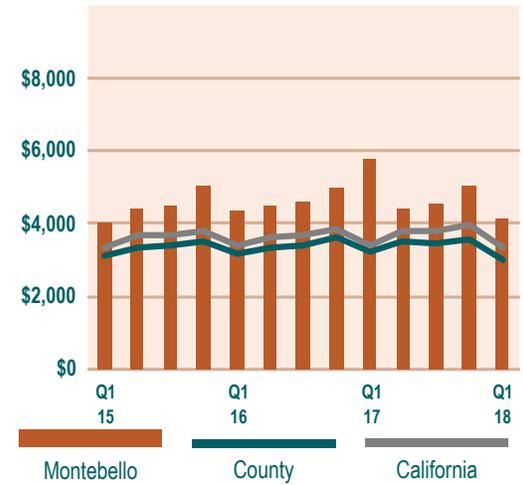
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

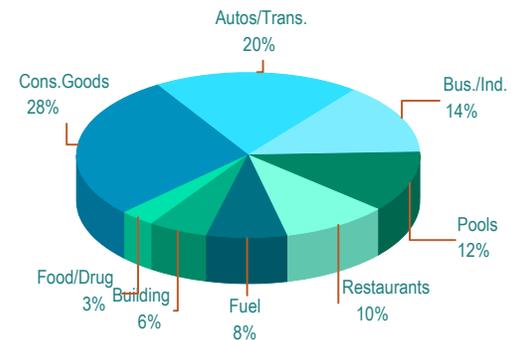
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Montebello This Quarter



MONTEBELLO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Montebello Q1 '18*	Montebello Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	-3.0%	3.8%
Casual Dining	121.5	-11.7%	-1.1%	-2.0%
Department Stores	— CONFIDENTIAL —	—	-33.0%	-35.1%
Discount Dept Stores	— CONFIDENTIAL —	—	2.7%	2.8%
Electronics/Appliance Stores	131.2	-1.4%	-3.0%	0.8%
Family Apparel	170.9	3.3%	9.6%	8.2%
Grocery Stores	54.2	-0.2%	8.9%	1.9%
Light Industrial/Printers	233.9	-9.8%	-10.2%	-12.2%
New Motor Vehicle Dealers	387.5	-16.9%	-1.2%	-0.2%
Quick-Service Restaurants	140.3	-7.3%	-4.1%	-3.8%
Service Stations	216.7	16.2%	-3.8%	4.6%
Shoe Stores	51.1	-5.4%	-3.9%	0.2%
Transportation/Rentals	90.4	198.9%	-1.6%	-14.0%
Used Automotive Dealers	— CONFIDENTIAL —	—	-8.6%	-4.3%
Women's Apparel	93.8	10.1%	-2.3%	-6.7%
Total All Accounts	2,655.9	-28.2%	-5.9%	-1.8%
County & State Pool Allocation	358.6	-31.6%	-10.3%	-2.1%
Gross Receipts	3,014.5	-28.6%	-6.4%	-1.8%