

Q1 2017



City of Montebello Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Montebello In Brief

Montebello's receipts from January through March were 32.8% above the first sales period in 2016, though results were skewed by a large misallocation. The error, expected to be reversed in a future quarter, also inflated receipts from the countywide use tax pool as these funds are allocated proportionately based on point-of-sale cash returns within the region. Absent the misallocation, local store receipts would have otherwise increased 2.1%, matching the state and county trend.

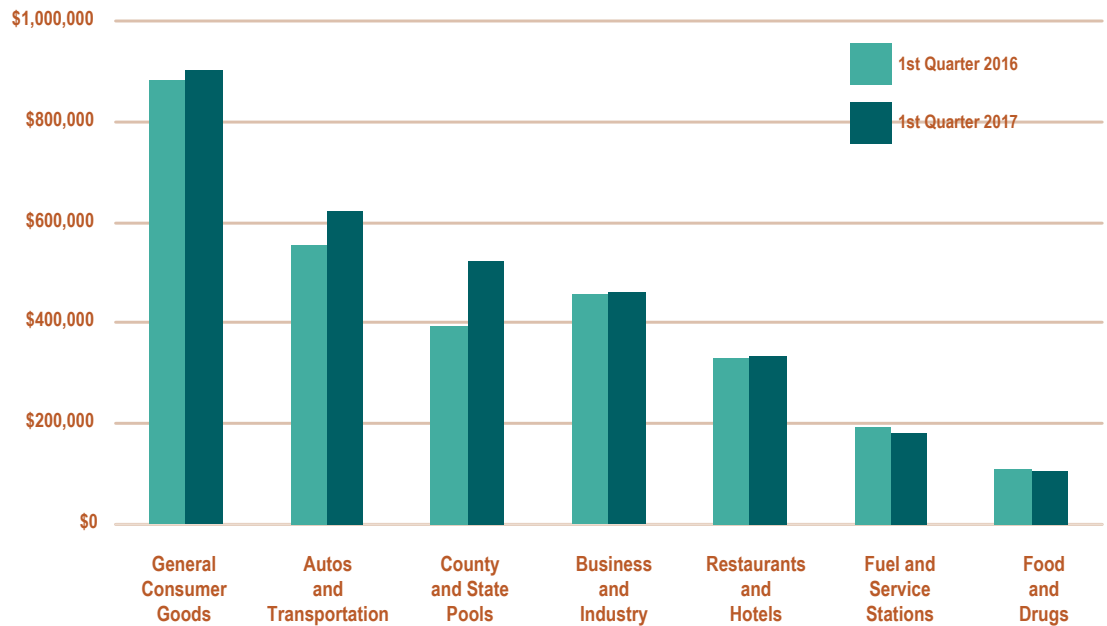
The bright spot this quarter was strong new car sales that, with 12% growth, significantly exceeded the average improvement of 5% seen throughout California. Sales appear to be plateauing in many jurisdictions after 26-quarters of uninterrupted statewide growth.

Light industrial/printer sales were also higher.

A misallocation of additional funding last year for a casual dining eatery made this year's comparison difficult and slightly dampened the overall rate of improvement.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.1% over the comparable time period; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allied Building Products	HD Supply Repair & Remodeling
Arco Auto Repair	Inland Kenworth
Best Buy	JC Penney
BJs Restaurant	LA Auto Exchange
Chevrolet of Montebello	Landsberg Orora
Chevron	Marshalls
Clean Sweep Supply	Montebello Cat Scales & Fuel
Costco	Ross
Empire Cleaning Supply	Sears
Entenmanns Bakery Products	Toys R Us
Ford of Montebello	Vertical Systems
Forever 21	Victoria's Secret
	Westrux International

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$11,689,502	\$12,674,243
County Pool	1,569,867	1,801,832
State Pool	8,418	10,495
Gross Receipts	\$13,267,788	\$14,486,569
Less Triple Flip*	\$(2,521,459)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

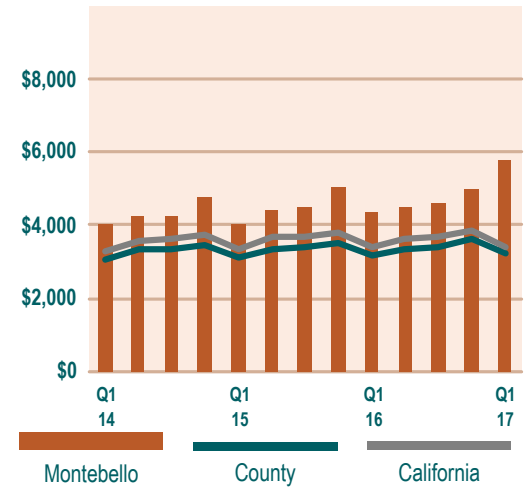
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

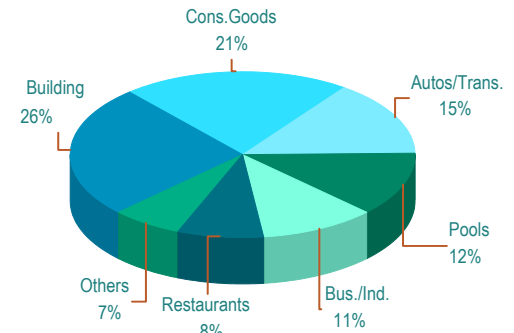
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Montebello This Quarter



MONTEBELLO TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Montebello Q1 '17*	Montebello Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	7.2%	3.1%
Casual Dining	135.9	-11.3%	1.4%	0.8%
Department Stores	— CONFIDENTIAL —	—	-4.1%	-6.5%
Discount Dept Stores	— CONFIDENTIAL —	—	2.5%	1.6%
Electronics/Appliance Stores	133.0	-0.6%	-0.8%	-0.5%
Family Apparel	151.3	3.6%	-0.6%	0.8%
Grocery Stores	54.3	-3.3%	1.2%	0.4%
Light Industrial/Printers	259.4	10.8%	1.8%	7.0%
New Motor Vehicle Dealers	466.2	12.2%	0.9%	4.4%
Quick-Service Restaurants	151.0	3.8%	4.6%	4.4%
Service Stations	186.5	1.5%	6.8%	10.0%
Shoe Stores	54.0	-1.1%	-2.1%	-2.9%
Specialty Stores	64.8	-8.5%	3.2%	0.4%
Used Automotive Dealers	— CONFIDENTIAL —	—	3.5%	1.9%
Women's Apparel	99.4	14.0%	-10.0%	-7.2%
Total All Accounts	3,700.0	32.8%	2.6%	1.8%
County & State Pool Allocation	524.5	32.8%	2.6%	2.9%
Gross Receipts	4,224.5	32.8%	2.6%	1.9%