

Q1 2019



City of Montebello Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Montebello In Brief

Montebello's receipts from January through March were 10.2% above the first sales period in 2018. Excluding reporting aberrations, actual sales were down 10.0%.

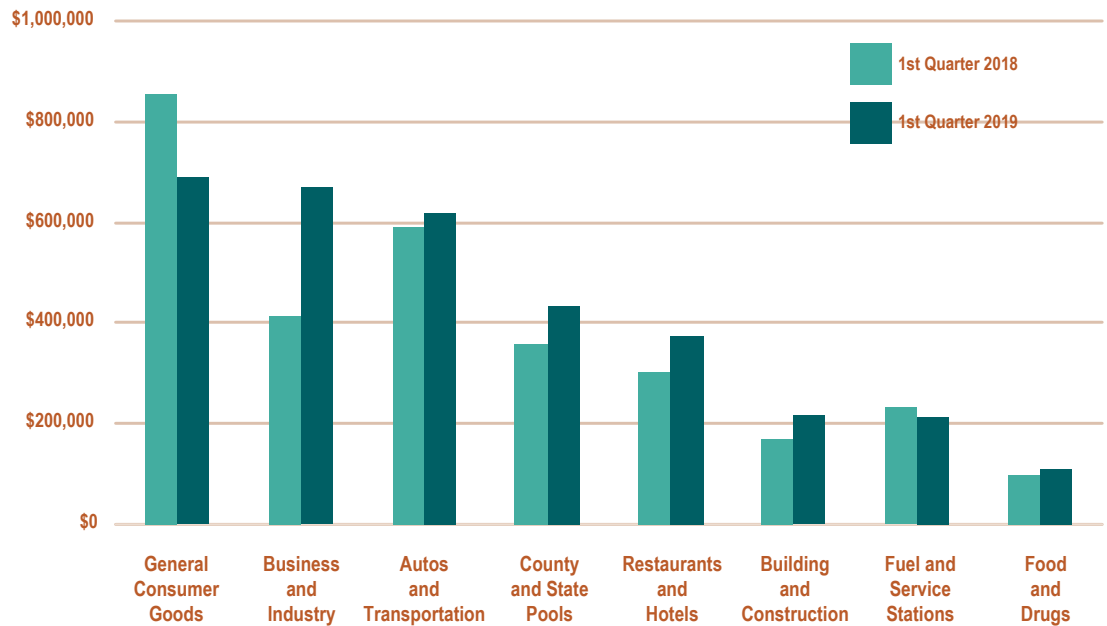
A double payment combined with onetime use tax accounted for the spike in the business and industry group. Once removed, actual returns were up 4.4%. Building-related results trailed regional trends once CDTFA allocation issues were removed. Similar events overstated the gain in restaurants and hotels. Both quick-service and casual dining were higher than a year ago on an adjusted basis.

A deduction which depressed year ago receipts inflated the increase in the countywide use tax allocation pool.

Temporary payment deviations softened the blow from store close-outs in general consumer goods. Nonetheless, most retail sectors were lower than a year ago.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.9% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Air Product Sales	Epko Industries
Amf Automation Technologies	Ford of Montebello
Arco	Forever 21
Arco Am PM	Gale Supply
Beacon Roofing Supply	HD Supply Repair & Remodeling
Best Buy	Inland Kenworth
BJ's Restaurant & Brewhouse	JC Penney
Cab West/Volvo Leasing	LA Auto Exchange
Chevrolet of Montebello	Landsberg Orora
Chevron	Macys
Empire Cleaning Supply	Marshalls
	Quiet Cannon
	Ross
	Windmoeller & Hoelscher

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$8,793,318	\$8,901,370
County Pool	1,229,209	1,280,181
State Pool	5,496	4,641
Gross Receipts	\$10,028,023	\$10,186,192

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

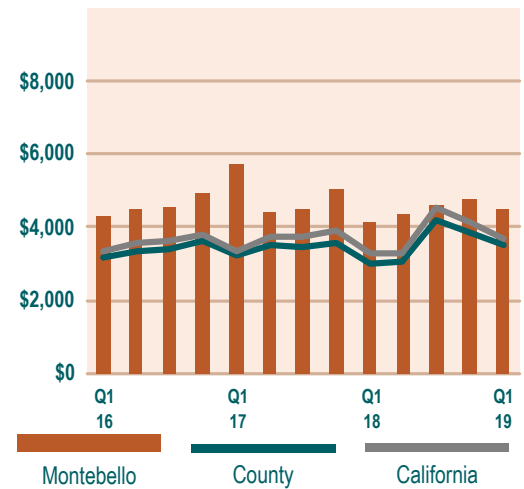
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

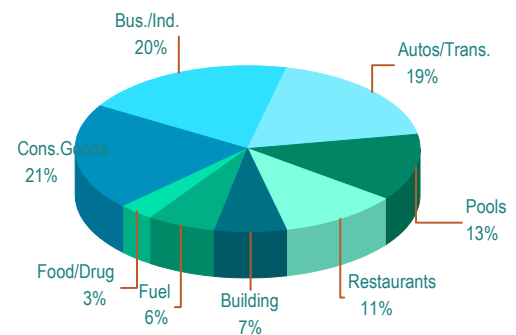
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Montebello This Quarter



MONTEBELLO TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Montebello		County	HdL State
	Q1 '19*	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	3.9%	4.0%
Casual Dining	148.5	22.3%	14.7%	13.3%
Department Stores	— CONFIDENTIAL —	—	38.4%	35.0%
Electronics/Appliance Stores	135.5	3.0%	-8.0%	-3.4%
Family Apparel	173.1	3.9%	2.7%	7.1%
Grocery Stores	60.7	13.7%	42.4%	25.7%
Heavy Industrial	83.0	87.6%	22.1%	15.3%
Leisure/Entertainment	57.5	126.7%	21.1%	17.8%
Light Industrial/Printers	— CONFIDENTIAL —	—	17.8%	13.7%
New Motor Vehicle Dealers	410.9	6.0%	-0.4%	-1.9%
Quick-Service Restaurants	152.0	8.4%	8.4%	10.0%
Service Stations	192.4	-11.2%	21.6%	15.6%
Textiles/Furnishings	62.1	38.6%	12.1%	16.1%
Used Automotive Dealers	— CONFIDENTIAL —	—	14.1%	14.1%
Women's Apparel	79.8	-14.9%	0.7%	6.6%
Total All Accounts	2,888.6	8.8%	16.5%	13.5%
County & State Pool Allocation	434.2	21.1%	29.8%	23.8%
Gross Receipts	3,322.8	10.2%	18.1%	14.9%