

Q2 2017



City of Montebello Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Montebello In Brief

Montebello's receipts from April through June were 1.7% below the second sales period in 2016. Excluding reporting aberrations, actual sales were up 2.7%.

A misallocated payment in the comparison period was responsible for the drop for casual dining restaurants. The heavy industrial sector experienced a sluggish sales quarter, resulting in lower totals.

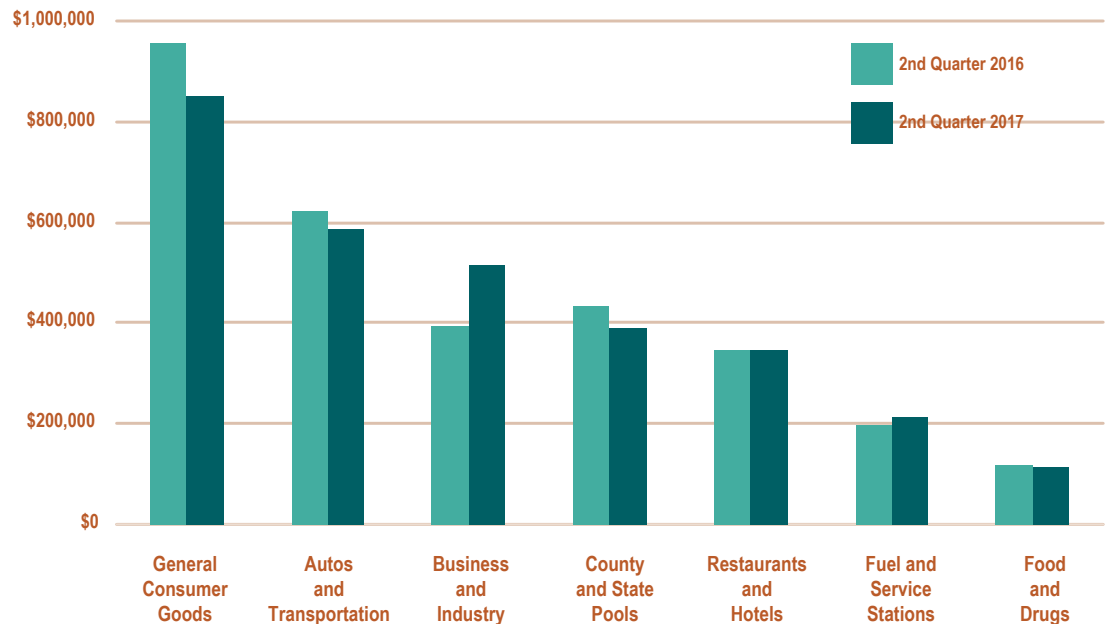
Decreased activity during the winter period negatively impacted building-construction, while a business closure resulted in lower revenue for contractors.

General consumer goods had a strong sales quarter with new store opening for family apparel and variety stores. Gains from light industrial/printers were offset by sluggish sales for heavy industrial businesses.

The City's share of the countywide use tax pool decreased 9.4% when compared to the same period in the prior year.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

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	HD Supply Repair & Remodeling
AT&T Mobility	Inland Kenworth
Best Buy	JC Penney
BJs Restaurant	LA Auto Exchange
Chevrolet of Montebello	Landsberg Orora
Chevron	Marshalls
Clean Sweep Supply	Ross
Costco	Sears
Empire Cleaning Supply	Vertical Systems
Ford of Montebello	Victoria's Secret
	Westrux International

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,867,364	\$2,854,667
County Pool	430,422	389,933
State Pool	1,006	(1,493)
Gross Receipts	\$3,298,792	\$3,243,108
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

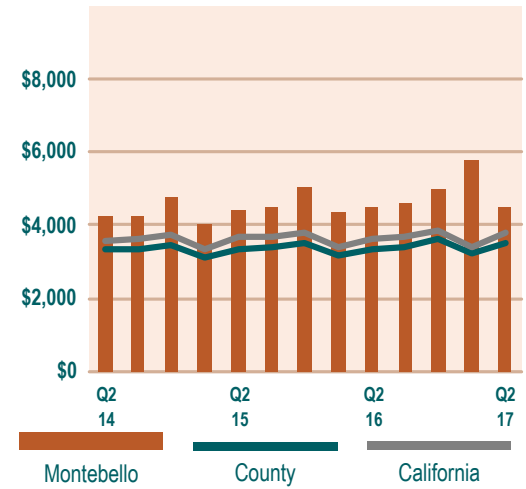
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

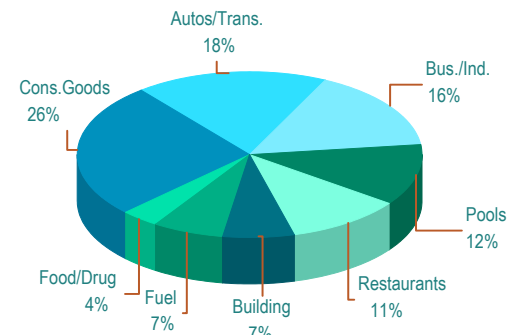
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Montebello This Quarter



MONTEBELLO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Montebello Q2 '17*	Change	County Change	HdL State Change
Building Materials	157.5	-2.8%	6.2%	6.1%
Casual Dining	144.9	-9.6%	3.1%	2.2%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	3.2%
Electronics/Appliance Stores	159.0	-6.2%	0.4%	0.3%
Family Apparel	189.2	17.6%	4.4%	4.0%
Grocery Stores	61.6	-1.2%	2.0%	2.1%
Light Industrial/Printers	279.6	34.3%	1.9%	5.7%
New Motor Vehicle Dealers	438.0	0.1%	2.7%	3.2%
Office Supplies/Furniture	— CONFIDENTIAL —	—	38.6%	250.4%
Quick-Service Restaurants	153.8	4.1%	5.5%	5.8%
Service Stations	200.1	8.2%	9.5%	8.6%
Shoe Stores	57.0	4.7%	4.4%	4.0%
Specialty Stores	75.2	1.1%	1.2%	1.0%
Used Automotive Dealers	— CONFIDENTIAL —	—	4.3%	2.7%
Women's Apparel	88.8	0.6%	-4.7%	-4.0%
Total All Accounts	2,854.7	-0.4%	4.8%	6.4%
County & State Pool Allocation	388.4	-10.0%	-5.2%	-9.9%
Gross Receipts	3,243.1	-1.7%	3.5%	4.1%