

Q4 2018



City of Montebello Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Montebello In Brief

Receipts from Montebello's October through December sales were 5.8% lower than the same sales quarter last year. Actual sales activity decreased 10.7% after accounting aberrations were factored out.

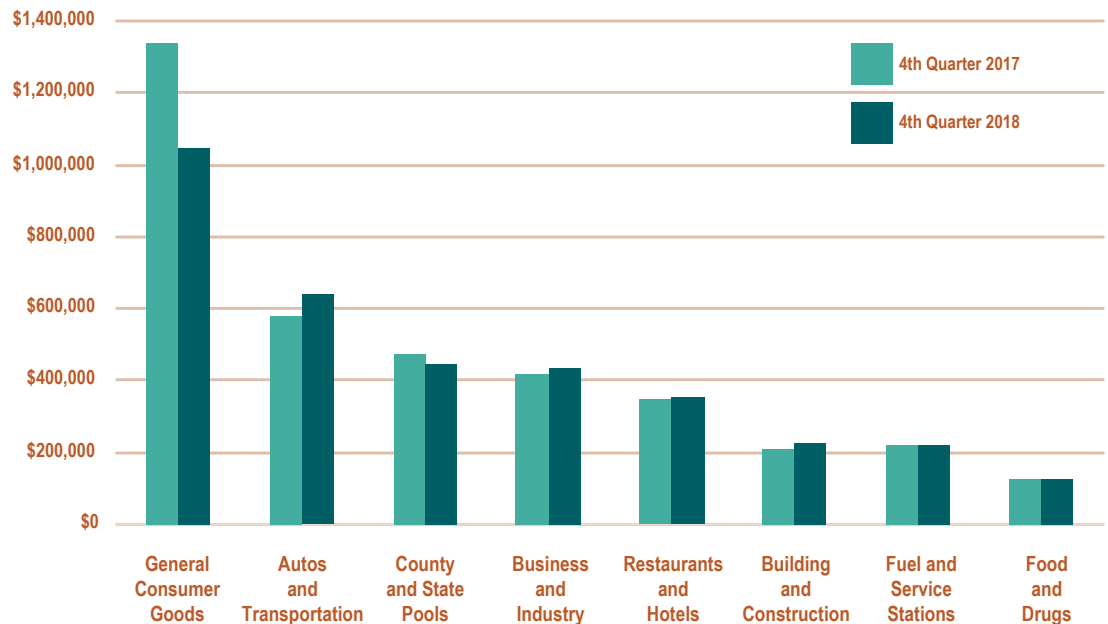
Closures by several established major retailers dropped general consumer goods 21.7% and were primarily responsible for the overall quarterly decrease. A smaller allocation from the countywide use tax pool further contributed to the loss.

The losses were partially offset by improved autos-transportation group revenues. Stronger building material and supply sales boasted building-construction returns. Despite net higher sales, restaurants-hotels were only up slightly due to several missing/late payments.

Multiple one-time use tax receipts from out-of-state purchases and a new business addition drove business-industry results higher despite a very low quarter from a business to business sales merchant.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.2% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Air Product Sales	HD Supply Repair & Remodeling
Allied Building Products	Inland Kenworth
Arco/Auto Repair & Electric	JC Penney
Baking Technology Systems	Kannegiesser Usa
Best Buy	LA Auto Exchange
Cab West/Volvo Leasing	Landsberg Orora
Chevrolet of Montebello	Macys
Chevron	Marshalls
Empire Cleaning Supply	Old Navy
Ford of Montebello	Penske Truck Leasing
Forever 21	Ross
	Sears
	Victoria's Secret
	Wilbur Curtis

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$6,137,382	\$6,012,767
County Pool	872,932	847,658
State Pool	3,208	3,005
Gross Receipts	\$7,013,522	\$6,863,431

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

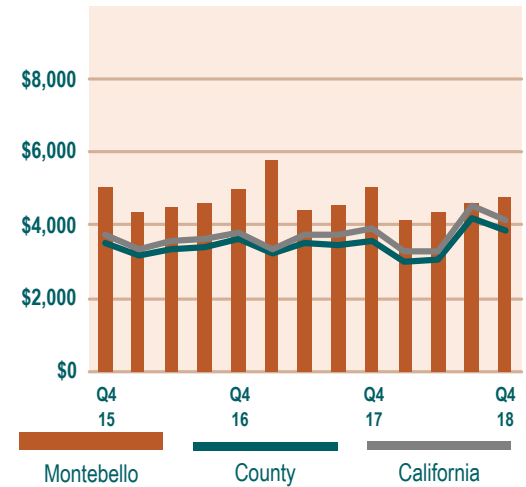
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

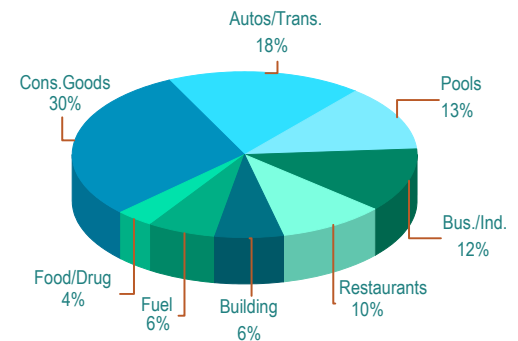
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Montebello This Quarter



MONTEBELLO TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Montebello Q4 '18*	Montebello Change	County Change	HdL State Change
Building Materials	149.7	8.2%	8.1%	5.5%
Casual Dining	145.9	6.8%	2.6%	2.5%
Department Stores	— CONFIDENTIAL —	—	-5.8%	-3.4%
Electronics/Appliance Stores	198.2	1.3%	3.3%	-1.6%
Family Apparel	243.4	3.4%	1.6%	0.4%
Grocery Stores	63.4	-7.3%	-19.3%	-11.7%
Heavy Industrial	122.3	243.3%	-2.3%	5.8%
Light Industrial/Printers	139.3	-39.4%	3.9%	9.1%
New Motor Vehicle Dealers	414.6	-0.7%	5.4%	5.8%
Quick-Service Restaurants	170.2	7.4%	7.0%	6.6%
Service Stations	201.1	-2.0%	28.4%	28.5%
Shoe Stores	82.5	7.9%	2.4%	1.8%
Specialty Stores	91.6	-37.0%	-10.8%	-10.8%
Used Automotive Dealers	— CONFIDENTIAL —	—	9.7%	5.4%
Women's Apparel	110.2	3.2%	-0.4%	-3.6%
Total All Accounts	3,051.6	-5.8%	9.0%	7.0%
County & State Pool Allocation	447.2	-5.7%	9.0%	8.6%
Gross Receipts	3,498.8	-5.8%	9.0%	7.2%