

Q1 2018



City of Rosemead Sales Tax *Update*

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

Rosemead In Brief

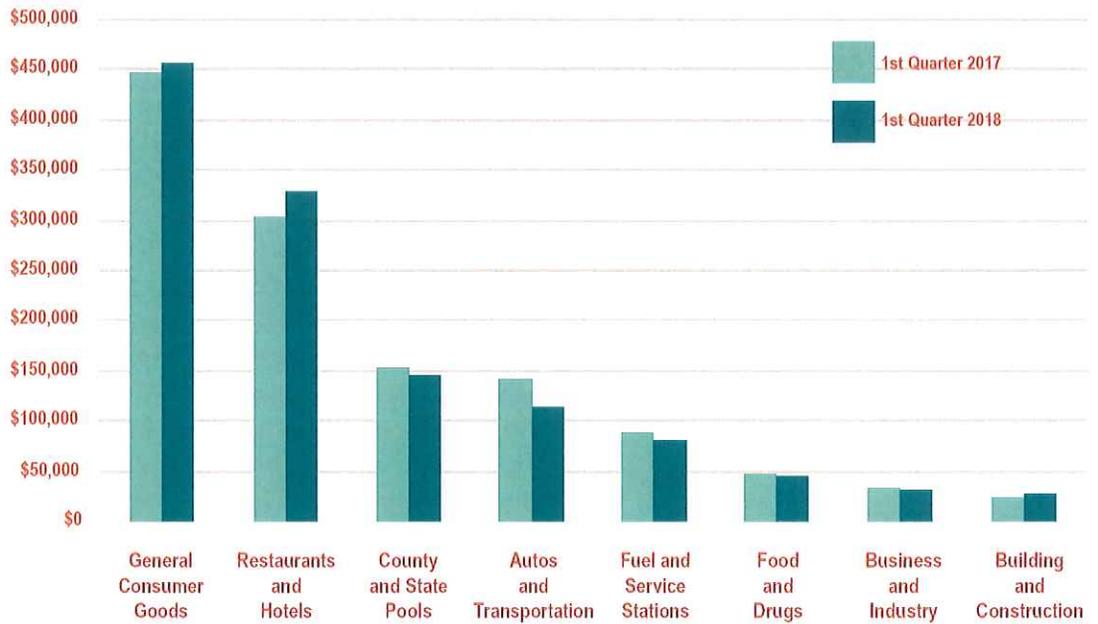
Rosemead's receipts from January through March were 0.8% below the first sales period in 2017, but only due to several reporting and payment anomalies that artificially deflated results, particularly for service stations and the county-wide use-tax pool. Excluding reporting aberrations, actual sales were up 6.8%.

The recent opening of two new casual dining eateries and a general consumer goods outlet in town were the primary factor in this quarter's improvement.

Sales were lower, however, for used car dealers, which capped the overall rate of progress.

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

888 Seafood	Rosemead Mobil
AutoZone	Rosemead Valley Mart Mobil
Boiling Crab	Ross Dress For Less
CH Auto	Sea Harbour Seafood
East Gourmet Seafood	Shell
H J Auto Group	Spa Nails Supply
In N Out Burgers	Sunshine Seafood
Kami Buffet & Grill	Target
Lucille's Smokehouse Bar-B-Que	TGI Fridays
Macys	Ulta Beauty
McDonalds	USA Gasoline
Olive Garden	Walmart
Panda Express	Supercenter

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$4,648,553	\$5,143,386
County Pool	662,091	715,470
State Pool	3,631	1,611
Gross Receipts	\$5,314,275	\$5,860,467

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.

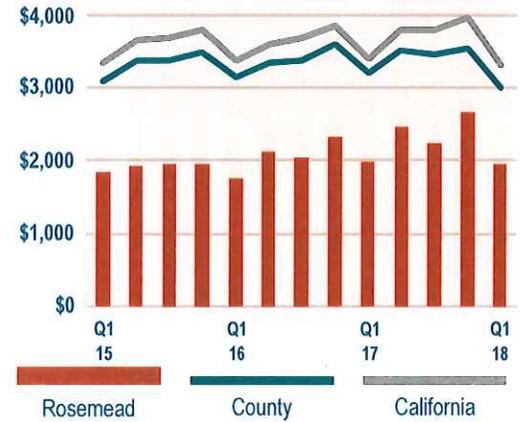
Supreme Court Ruling

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 online interstate marketplace was not the prevailing issue before the court in 1992.

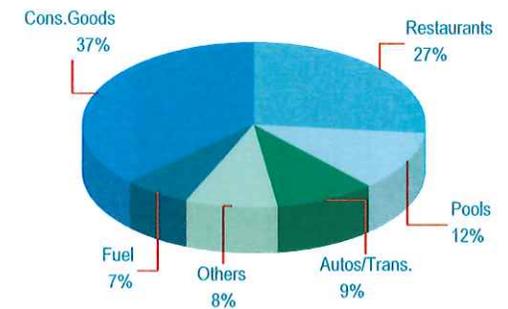
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

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
Rosemead This Quarter



ROSEMEAD TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Rosemead Q1 '18*	Rosemead Change	County Change	HdL State Change
Auto Repair Shops	18.6	-26.9%	-8.0%	-7.5%
Automotive Supply Stores	15.3	-20.9%	-8.3%	-4.0%
Casual Dining	190.1	17.5%	-1.1%	-2.0%
Convenience Stores/Liquor	17.0	31.4%	1.6%	0.6%
Department Stores	— CONFIDENTIAL —		-33.0%	-35.1%
Discount Dept Stores	— CONFIDENTIAL —		2.7%	2.8%
Drug Stores	13.2	-23.4%	-19.0%	-27.9%
Family Apparel	— CONFIDENTIAL —		9.6%	8.2%
Fast-Casual Restaurants	21.7	4.5%	6.8%	6.8%
Grocery Stores	13.5	-11.7%	8.9%	1.9%
Quick-Service Restaurants	113.3	-3.2%	-4.1%	-3.8%
Service Stations	80.1	-9.1%	-3.8%	4.6%
Specialty Stores	37.6	-10.9%	-10.9%	-10.0%
Used Automotive Dealers	76.5	-18.9%	-8.6%	-4.3%
Variety Stores	10.1	-5.8%	-20.4%	-10.7%
Total All Accounts	1,084.1	-0.2%	-5.9%	-1.8%
County & State Pool Allocation	146.4	-4.9%	-10.3%	-2.1%
Gross Receipts	1,230.4	-0.8%	-6.4%	-1.8%