

Q2 2018



City of Rosemead Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Rosemead In Brief

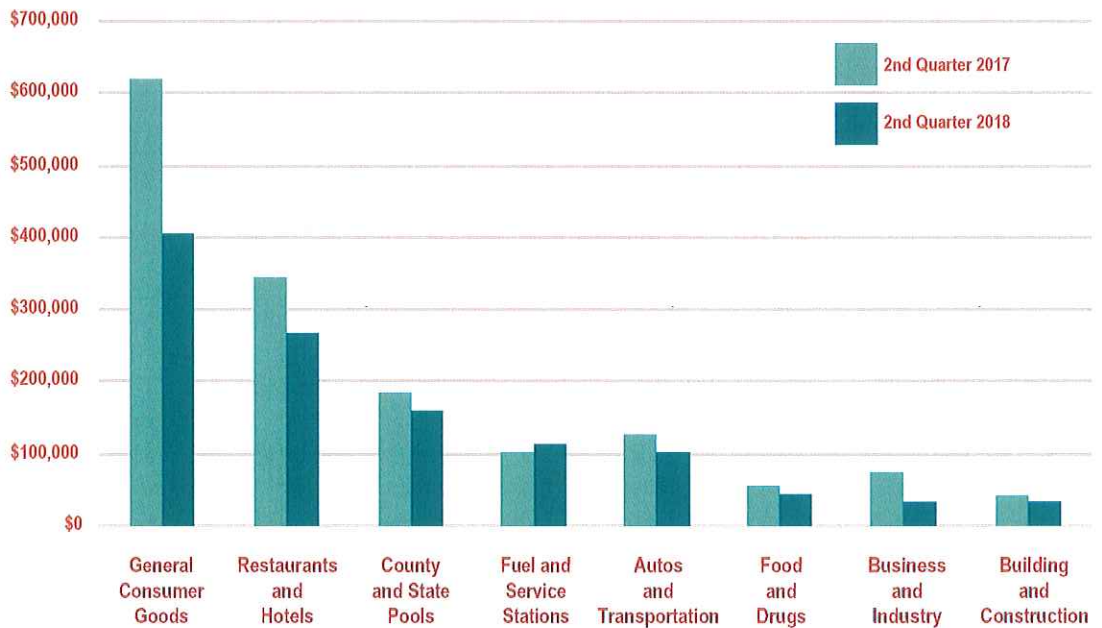
Receipts from Rosemead's April through June sales were 25.1% lower than the same quarter one year ago. However, for the 2nd time this year, the State's software conversion resulted in unusual processing delays. Consequently, sizeable payments remain outstanding. Actual sales after adjusting for all anomalies, would have decreased 6.7%.

Missing/delayed payments had a large negative impact on most general consumer goods categories and restaurant sectors. Lower used car sales depressed autos-transportation group returns.

Higher fuel prices, along with a positive accounting adjustment, boosted service station revenues 13.1%.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.6% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

888 Seafood	Rosemead Valley
AutoZone	Mart Mobil
Boiling Crab	Sam Woo Chinese BBQ
CH Auto	Sea Harbour
Circle K	Shell
H J Auto Group	Spa Nails Supply
In N Out Burger	Sunshine Seafood
Ji Rong Peking Duck	T Mobile
Kami Buffet & Grill	Target
Macys	TGI Fridays
McDonalds	Ulta Beauty
Panda Express	USA Gasoline
Rosemead Mobil	Walmart Supercenter

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$4,844,149	\$4,780,700
County Pool	673,048	688,364
State Pool	2,510	2,702
Gross Receipts	\$5,519,708	\$5,471,766

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

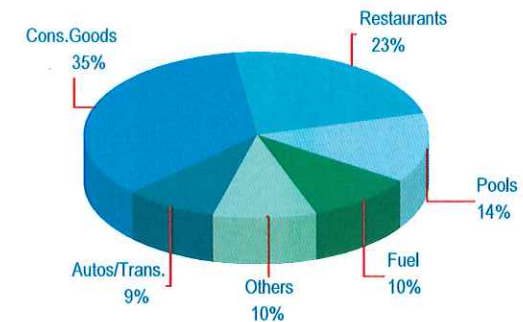
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Rosemead This Quarter



ROSEMEAD TOP 15 BUSINESS TYPES

Business Type	Rosemead		County	HdL State
	Q2 '18	Change	Change	Change
Auto Repair Shops	20,620	-8.8%	-14.7%	-14.8%
Automotive Supply Stores	16,538	2.0%	-10.3%	-11.6%
Casual Dining	137,708	-28.5%	-11.3%	-12.6%
Convenience Stores/Liquor	14,102	-17.3%	-6.7%	-9.2%
Department Stores	— CONFIDENTIAL —		13.4%	12.7%
Discount Dept Stores	— CONFIDENTIAL —		-15.2%	-13.5%
Drug Stores	12,802	-28.4%	-3.8%	-4.2%
Electronics/Appliance Stores	33,463	49.1%	-7.0%	-5.1%
Fast-Casual Restaurants	22,464	2.5%	-5.9%	-3.3%
Grocery Stores	15,633	-4.5%	-12.1%	-7.0%
Quick-Service Restaurants	103,899	-17.4%	-5.9%	-5.8%
Service Stations	114,349	13.1%	-23.5%	-26.4%
Specialty Stores	41,374	0.1%	-8.9%	-4.6%
Used Automotive Dealers	58,962	-28.5%	-41.4%	-41.5%
Variety Stores	11,879	-3.1%	-8.2%	-3.0%
Total All Accounts	998,973	-26.6%	-11.9%	-12.2%
County & State Pool Allocation	159,269	-14.0%	3.2%	5.5%
Gross Receipts	1,158,242	-25.1%	-10.1%	-10.1%