

Q3 2018



City of Rosemead Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Rosemead In Brief

Rosemead's receipts from July through September were 18.2% above the third sales period in 2017. The increase resulted from the City receiving a significant amount of delayed allocations that were not processed in 2Q18 due to the State's software conversion project. Excluding these allocations and other reporting aberrations, actual sales were down 1.2%.

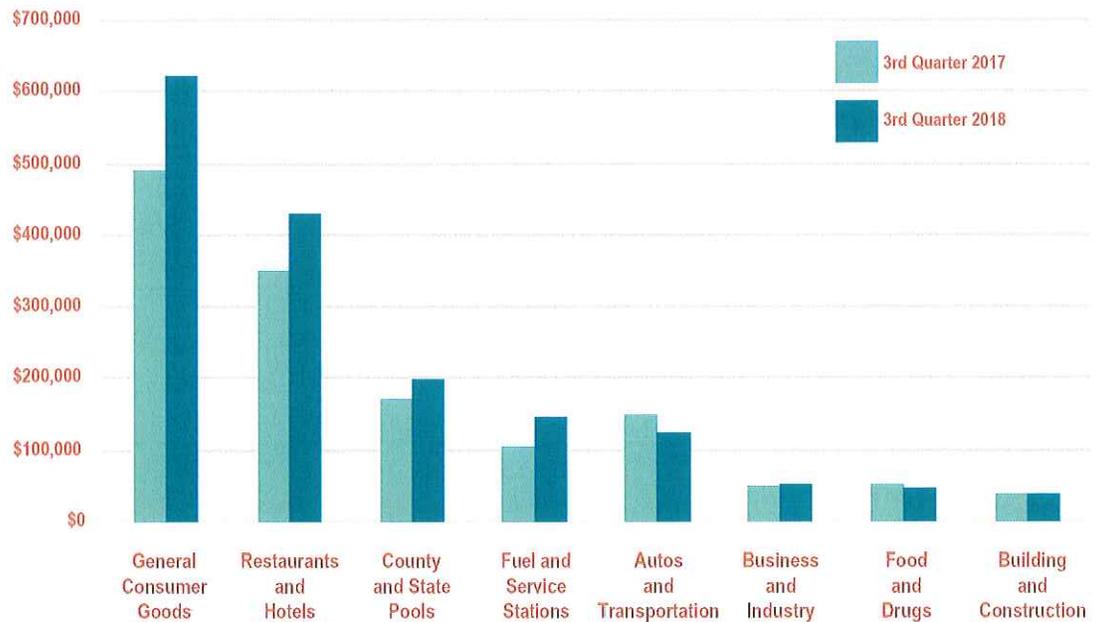
The drop in actual sales was caused largely by a sharp decrease in used car sales and onetime payments that inflated prior year business and industry results. Lower sales from building-construction and a drug store closeout also contributed to the drop in overall sales.

The gains were mostly offset by a new outlet and higher sales from existing retailers that boosted general consumer goods 5.3% and a 10.9% increase in service station sales caused by higher gas prices compared to a year ago. Restaurant sales grew 0.9% as gains in casual and fast-casual dining were largely offset by lower quick-service results.

The City's allocation from the countywide use tax pool increased 16.6% during the quarter.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.0% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Rosemead Valley Mart Mobil
888 Seafood	Ross
Boiling Crab	Shell
CH Auto	Southern Cal Edison Cafe
Circle K	Spa Nails Supply
H J Auto Group	Sunshine Seafood
In N Out Burger	T Mobile
Kami Buffet & Grill	Target
Lucille's Smokehouse Bar-B-Que	TGI Fridays
Macys	Ulta Beauty
McDonalds	USA Gasoline
Olive Garden	Walmart Supercenter
Rosemead Mobil	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$1,231,612	\$1,458,296
County Pool	169,688	197,939
State Pool	964	748
Gross Receipts	\$1,402,265	\$1,656,984

California Overall

The CDTFAs' problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

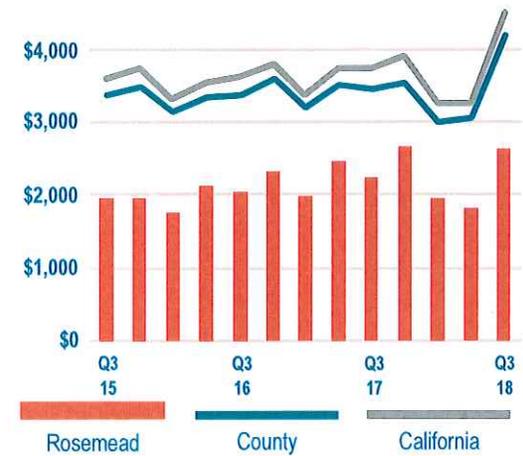
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

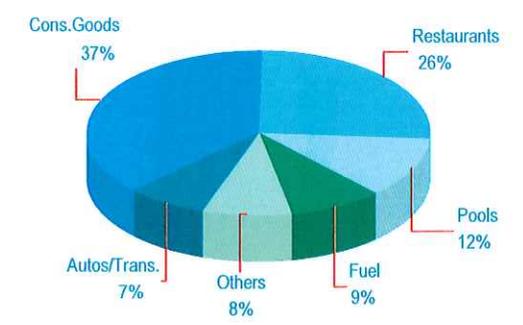
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Rosemead This Quarter



ROSEMEAD TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Rosemead Q3 '18*	Rosemead Change	County Change	HdL State Change
Auto Repair Shops	22.1	-0.2%	16.4%	14.3%
Automotive Supply Stores	17.5	8.8%	7.7%	8.4%
Casual Dining	254.7	29.8%	16.0%	14.8%
Contractors	15.7	22.0%	44.5%	37.6%
Convenience Stores/Liquor	15.1	-26.2%	16.5%	20.6%
Department Stores	— CONFIDENTIAL —	—	-1.5%	-3.6%
Discount Dept Stores	— CONFIDENTIAL —	—	17.9%	18.3%
Electronics/Appliance Stores	22.8	4.7%	9.9%	12.4%
Family Apparel	— CONFIDENTIAL —	—	36.4%	36.3%
Fast-Casual Restaurants	22.6	5.3%	12.0%	15.1%
Grocery Stores	15.8	14.1%	22.4%	16.1%
Quick-Service Restaurants	148.7	15.3%	11.6%	13.4%
Service Stations	146.8	42.0%	43.8%	43.1%
Specialty Stores	42.9	7.4%	10.5%	8.1%
Used Automotive Dealers	79.9	-25.6%	50.2%	46.9%
Total All Accounts	1,458.3	18.4%	21.7%	21.8%
County & State Pool Allocation	198.7	16.4%	19.7%	27.8%
Gross Receipts	1,657.0	18.2%	21.5%	22.6%