

Q4 2018



City of Rosemead Sales Tax *Update*

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

Rosemead In Brief

Rosemead's receipts from October through December were 12.3% below the fourth sales period in 2017.

A closed used auto dealership pulled down returns in autos-transportation. Of more significance were onetime use tax allocations that elevated year-ago returns. These allocations accounted for the drop in the business-industrial group.

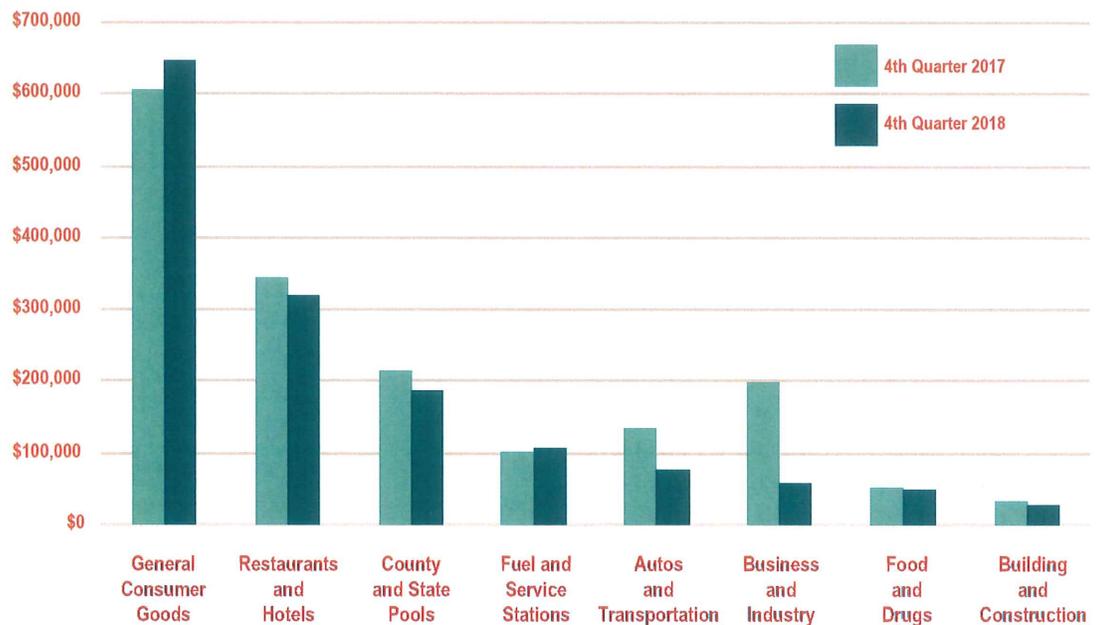
Delayed disbursements related to the CDTFA's software conversion temporarily dipped receipts in restaurants. However, overall performance trailed the region on an actual basis.

In addition, the overall decline in quarterly results curtailed the City's share of the countywide use tax allocation pool.

Heightened holiday quarter sales were boosted by recent openings in general retail.

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

888 Seafood	Ross
AutoZone	Sea Harbour Seafood
Boiling Crab	Shell
CH Auto	Souther Cal Edison Cafe
Circle K	Spa Nails Supply
In N Out Burger	Sunshine Seafood
Ji Rong Peking Duck	T Mobile
Kami Buffet & Grill	Target
Lucille's Smokehouse Bar-B-Que	TGI Fridays
Macys	Ulta Beauty
McDonalds	USA Gasoline
Panda Express	Walmart
Rosemead Mobil	Supercenter

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$2,697,641	\$2,744,222
County Pool	384,050	385,767
State Pool	1,389	1,374
Gross Receipts	\$3,083,080	\$3,131,364

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."

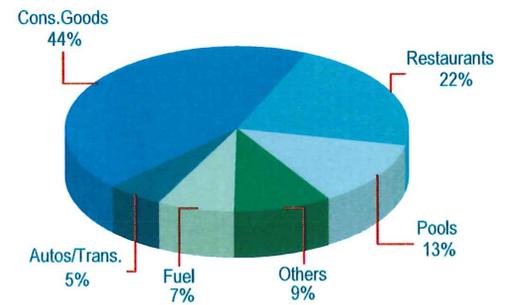
With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Rosemead This Quarter



ROSEMEAD TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Rosemead Q4 '18*	Rosemead Change	County Change	HdL State Change
Auto Repair Shops	21.8	4.3%	6.4%	4.3%
Automotive Supply Stores	15.2	-11.1%	4.5%	2.7%
Casual Dining	188.1	-13.0%	2.5%	2.5%
Convenience Stores/Liquor	18.0	-13.4%	2.8%	2.8%
Department Stores	—	CONFIDENTIAL	-5.8%	-3.4%
Discount Dept Stores	—	CONFIDENTIAL	2.7%	3.9%
Electronics/Appliance Stores	30.3	-0.7%	3.3%	-1.6%
Family Apparel	—	CONFIDENTIAL	1.6%	0.5%
Fast-Casual Restaurants	21.7	1.0%	2.8%	4.3%
Grocery Stores	14.9	4.8%	-19.3%	-11.7%
Light Industrial/Printers	15.0	30.5%	3.7%	9.0%
Quick-Service Restaurants	102.4	1.6%	7.0%	6.6%
Service Stations	106.8	5.8%	28.4%	28.4%
Specialty Stores	46.7	11.0%	-10.7%	-10.7%
Used Automotive Dealers	32.9	-63.7%	11.1%	5.6%
Total All Accounts	1,285.9	-12.3%	9.0%	7.0%
County & State Pool Allocation	188.5	-12.3%	9.0%	8.6%
Gross Receipts	1,474.4	-12.3%	9.0%	7.2%