

# Q4 2019



# City of El Monte Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## El Monte In Brief

Receipts from El Monte's October through December sales were 13.5% higher than the same quarter last year. Actual sales activity increased 7.2% after accounting aberrations were factored out.

Due to the full implementation of AB147 (Wayfair/Marketplace Facilitators), the City's share of the countywide use tax collections was up 43.6% and was a significant factor in the overall quarterly increase.

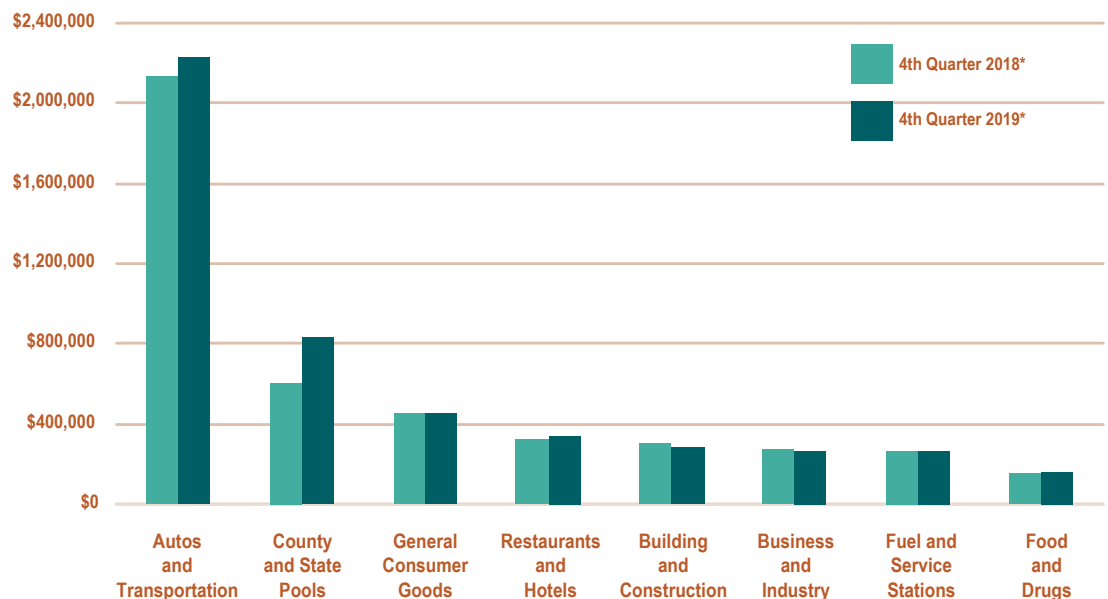
The City experienced a strong sales quarter from new and used auto dealers, exceeding the county and statewide trends for the third consecutive quarter. A new eatery opening and net higher sales boosted restaurant returns.

While some general consumer goods sectors saw sales gains, overall group revenues declined 3.0%.

Voter-approved Measure EM, the City's transactions and use tax, added \$1,431,375 to the above discussed amounts.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.8% over the comparable time period; the Southern California region was up 4.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Longo Toyota & Longo Scion
Airgas	Mega Stone
Arco	Northgate Market
Car Pros Honda El Monte	Patriot Hyundai Of El Monte
Chevron	Ramona Arco
CVS Pharmacy	Ross Nissan of El Monte
D R Office Works	Sams Club w/ Fuel
dd's Discounts	SGV Hydroponics
El Monte 76	Sus Amigos Auto Center
El Monte Honda	Toyota Lease Trust
Food 4 Less	United Oil
Home Depot	
Honda Lease Trust	
Longo Lexus	

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$8,608,739	\$8,018,295
County Pool	1,208,812	1,447,884
State Pool	4,315	3,620
<b>Gross Receipts</b>	<b>\$9,821,867</b>	<b>\$9,469,799</b>
<b>Measure EM</b>	<b>\$2,976,464</b>	<b>\$2,864,892</b>

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

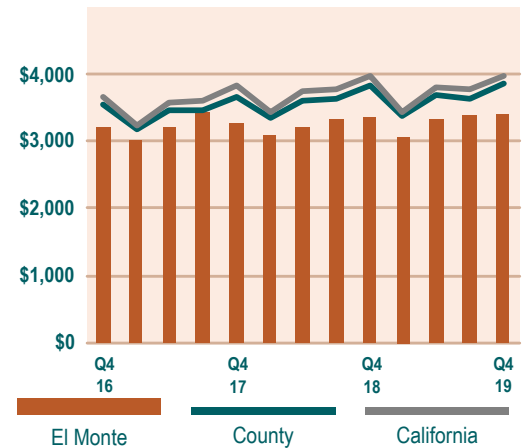
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

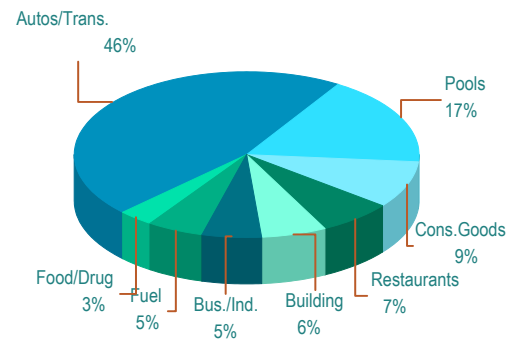
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP**  
El Monte This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**EL MONTE TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	El Monte Q4 '19*	Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —		1.3%	3.2%
Auto Repair Shops	36.9	-13.7%	-3.8%	-1.0%
Automotive Supply Stores	40.0	-14.2%	-0.2%	0.6%
Building Materials	— CONFIDENTIAL —		1.7%	1.4%
Casual Dining	102.4	17.4%	4.3%	3.8%
Contractors	50.1	-8.6%	-4.4%	-4.4%
Convenience Stores/Liquor	49.0	-2.4%	0.8%	-0.1%
Discount Dept Stores	— CONFIDENTIAL —		3.8%	3.6%
Family Apparel	— CONFIDENTIAL —		-1.2%	1.3%
Grocery Stores	80.4	17.2%	0.7%	1.3%
New Motor Vehicle Dealers	1,713.0	4.8%	-0.9%	-3.4%
Office Supplies/Furniture	— CONFIDENTIAL —		-10.7%	-8.1%
Quick-Service Restaurants	200.2	1.9%	0.6%	1.9%
Service Stations	260.4	-2.2%	-0.1%	0.2%
Used Automotive Dealers	115.8	14.3%	7.6%	4.6%
<b>Total All Accounts</b>	<b>3,996.6</b>	<b>2.6%</b>	<b>0.2%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>832.9</b>	<b>36.7%</b>	<b>26.7%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>4,829.5</b>	<b>7.2%</b>	<b>3.8%</b>	<b>4.2%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.