

Q1 2020



City of El Monte Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

El Monte In Brief

Receipts from El Monte's January through March sales were 9.7% lower than the same quarter last year. Actual sales activity decreased 2.3% after accounting aberrations were factored out.

The Governor's shelter in place/partial business closures order negatively impacted most business groups. In addition, many small businesses took advantage of the Governor's deferred payment plan options and delayed tax payments further depressing cash receipts this quarter.

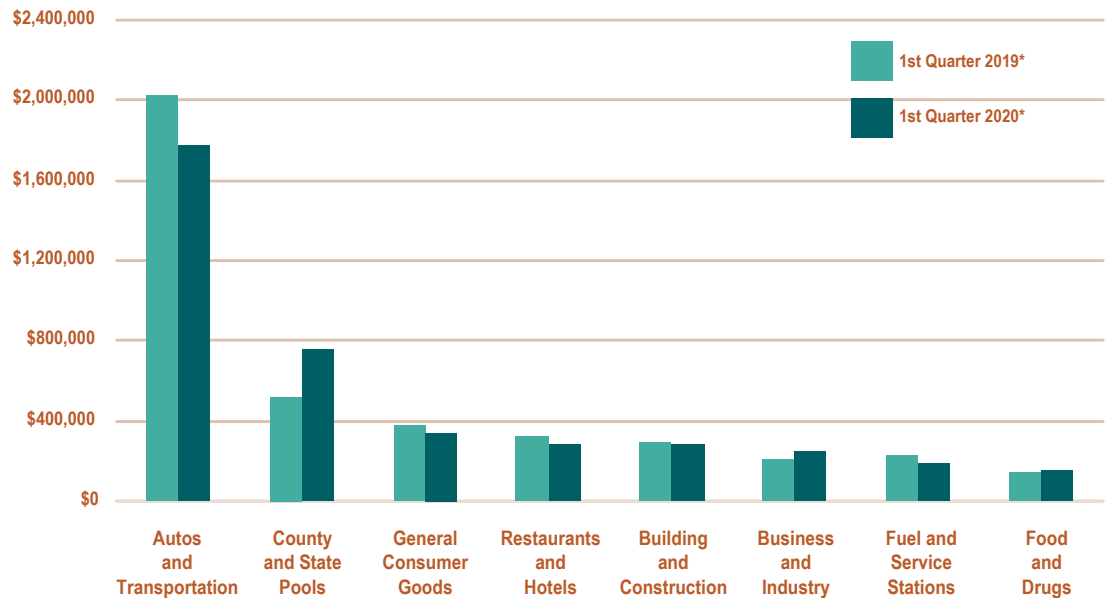
The City experienced a weak sales quarter from both new and used car sales while newer business additions boosted business-industry returns.

Due to the continued implementation of AB147 (Wayfair/Marketplace Facilitators), the City's share of the countywide use tax collections was up 36.0% and was a factor in somewhat offsetting an overall weak sales quarter.

Voter-approved Measure EM, the City's transactions and use tax, added \$1,089,394 to the above discussed amounts.

Net of aberrations, taxable sales for all of Los Angeles County declined 5.3% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Longo Lexus
Airgas	Longo Toyota & Longo Scion
Arco	Multi W Systems
Car Pros Honda El Monte	Patriot Hyundai of El Monte
Casa Linda Furniture	Ross Nissan of El Monte
CVS Pharmacy	Sams Club w/ Fuel
D R Office Works	SGV Hydroponics
dd's Discounts	Sus Amigos Auto Center
Element Vape	Toyota Lease Trust
Food 4 Less	United Oil
Ganas Auto	W H Pang Design & Finish
Home Depot	
Honda Lease Trust	
Hunter Douglas Fabrication	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$12,230,222	\$11,039,972
County Pool	1,751,072	2,185,372
State Pool	6,365	6,349
Gross Receipts	\$13,987,659	\$13,231,692
Measure EM	\$4,285,499	\$3,954,287

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

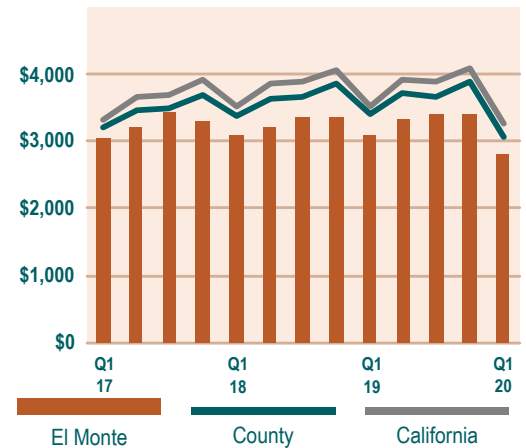
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

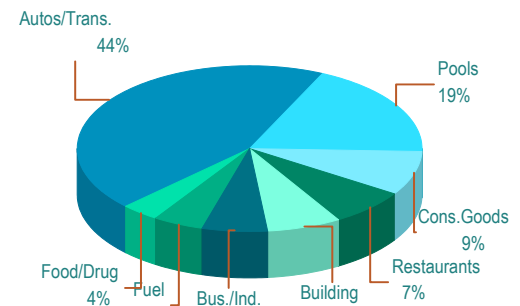
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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 Q1 '20*	Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —		-2.9%	1.6%
Automotive Supply Stores	38.7	-19.1%	-12.3%	-9.5%
Building Materials	— CONFIDENTIAL —		1.4%	3.0%
Casual Dining	81.0	-9.6%	-19.4%	-18.8%
Contractors	45.4	-5.3%	-3.3%	3.2%
Convenience Stores/Liquor	43.4	-3.9%	-6.5%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —		3.0%	3.2%
Family Apparel	— CONFIDENTIAL —		-22.6%	-21.1%
Garden/Agricultural Supplies	— CONFIDENTIAL —		9.9%	12.0%
Grocery Stores	69.3	11.5%	9.3%	11.8%
Heavy Industrial	44.2	14.8%	-7.4%	-6.4%
New Motor Vehicle Dealers	1,261.6	-14.9%	-11.1%	-10.6%
Quick-Service Restaurants	181.4	-8.5%	-9.5%	-8.5%
Service Stations	187.3	-17.9%	-10.3%	-9.5%
Used Automotive Dealers	111.7	-22.0%	-12.4%	-12.7%
Total All Accounts	3,273.2	-9.1%	-9.9%	-7.3%
County & State Pool Allocation	754.8	44.2%	25.6%	22.4%
Gross Receipts	4,028.0	-2.3%	-5.3%	-3.0%

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