

Q2 2020



City of El Monte Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

El Monte In Brief

Receipts from El Monte's April through June sales were 18.9% lower than the same quarter last year.

Second quarter 2020 reflects the economic bottoming out from the COVID-19 pandemic. The Governor's shelter in place/partial business closures order had a profound negative impact on most major business groups: restaurants-hotels down 31.6%, general consumer goods down 39.3%, and service stations down 49.3%.

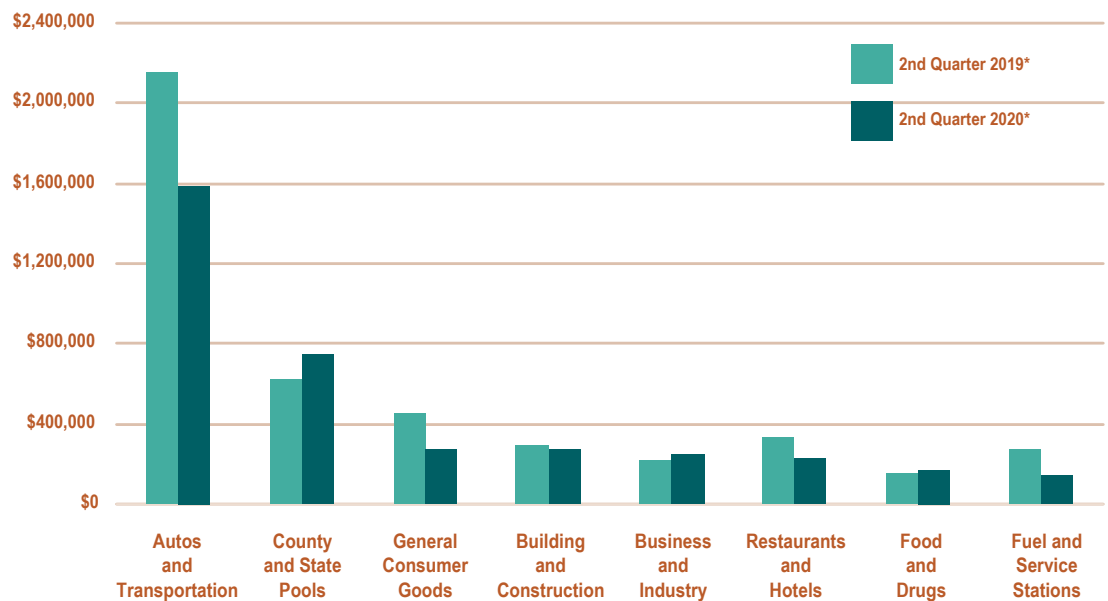
While the autos-transportation group dropped 26.3%, one-half of the decline is a large current quarter missing/delayed payment. In contrast, business-industry adjusted revenues were up 10.1% due to new business additions and improved sales activity.

Continued robust returns from AB147 (Wayfair) plus a surge in online sales, while people sheltered in place, buoyed the City's pool allocation.

Voter-approved Measure EM, the City's transactions and use tax, added \$1,159,156 to the above discussed amounts.

Net of aberrations, taxable sales for all of Los Angeles County declined 22.7% over the comparable time period; the Southern California region was down 18.0%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Airgas	Longo Lexus
Arco	Longo Toyota & Longo Scion
Car Pros Honda El Monte	Lucy Auto Sales
CVS Pharmacy	Multi W Systems
D R Office Works	Patriot Hyundai of El Monte
dd's Discounts	Ross Nissan of El Monte
Element Vape	Sams Club w/ Fuel
Food 4 Less	SGV Hydroponics
Ganas Auto	Sus Amigos Auto Center
Home Depot	Toyota Lease Trust
Honda Lease Trust	United Oil
Jansen Ornamental Iron Supply	United Site Services
LA Auto Exchange	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$16,110,512	\$13,888,641
County Pool	2,388,931	2,969,646
State Pool	8,060	7,504
Gross Receipts	\$18,507,503	\$16,865,791
Measure EM	\$5,681,750	\$5,199,703

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

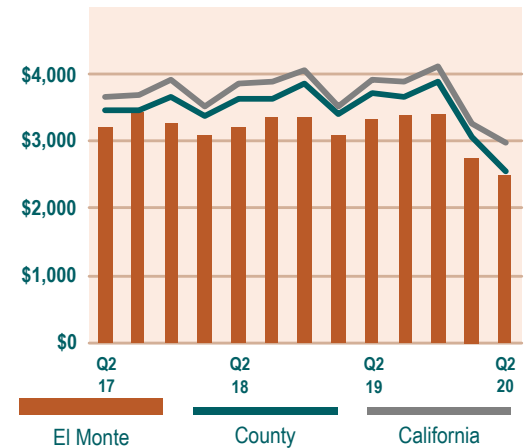
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

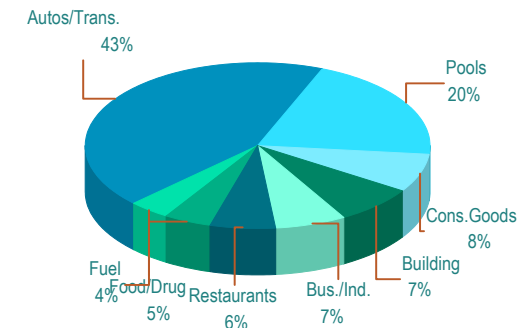
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

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 Q2 '20*	Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —		-11.9%	-9.2%
Automotive Supply Stores	37.7	-20.3%	-10.7%	-4.7%
Building Materials	— CONFIDENTIAL —		2.3%	7.0%
Casual Dining	49.2	-47.6%	-56.0%	-53.2%
Contractors	48.3	-6.2%	-11.1%	-12.2%
Convenience Stores/Liquor	59.9	22.6%	9.8%	8.8%
Discount Dept Stores	— CONFIDENTIAL —		-11.7%	-6.3%
Drug Stores	28.7	-0.7%	-1.9%	0.1%
Garden/Agricultural Supplies	— CONFIDENTIAL —		-0.4%	5.6%
Grocery Stores	72.3	0.1%	5.3%	7.8%
Heavy Industrial	43.6	14.7%	-11.7%	-10.3%
New Motor Vehicle Dealers	1,101.0	-31.8%	-19.6%	-15.8%
Quick-Service Restaurants	161.5	-20.9%	-26.3%	-22.0%
Service Stations	138.3	-49.3%	-50.2%	-45.2%
Used Automotive Dealers	149.3	9.1%	-21.1%	-20.6%
Total All Accounts	2,911.4	-25.1%	-31.2%	-24.0%
County & State Pool Allocation	745.4	20.0%	29.4%	28.2%
Gross Receipts	3,656.8	-18.9%	-22.9%	-16.4%

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