

Q4 2016



City of Montebello Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Montebello In Brief

Montebello's receipts from October through December were 0.9% below the fourth sales period in 2015.

Excess global supplies of crude oil and stable production of refined consumer fuel pushed down gas prices dramatically impacting service stations revenue, consistent with the state and countywide trends. A business closure negatively impacted receipts for light industrial and printers.

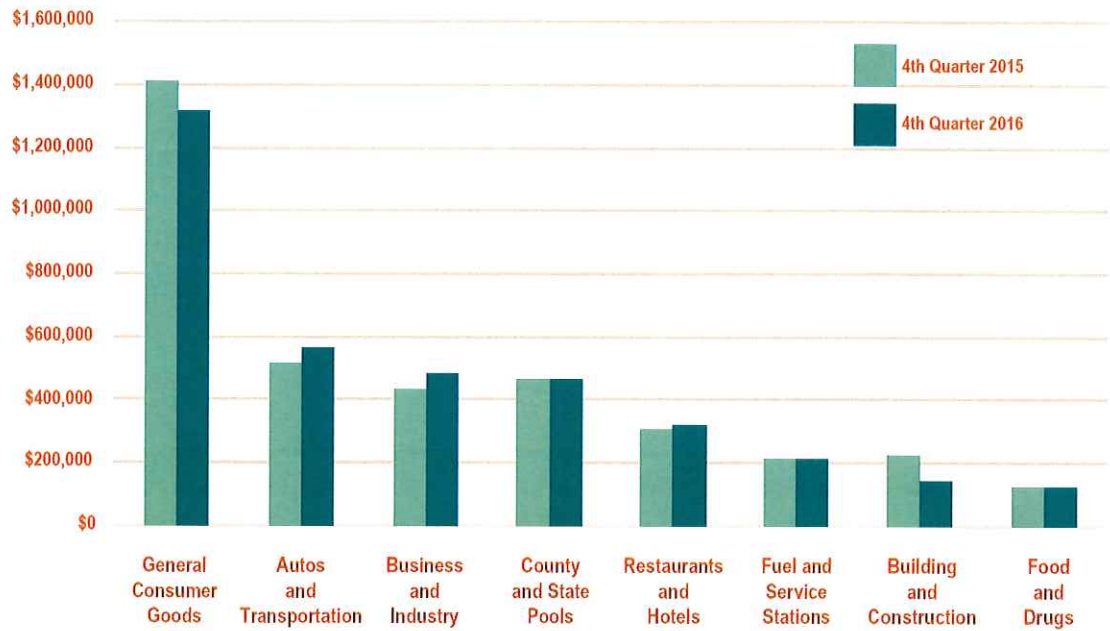
A misallocated payment in the comparison period was responsible for an overall decrease in general consumer goods, although a new store opening helped to boost results for women's apparel. A large accounting adjustment negatively impacted totals for building and construction.

The City experienced a strong sales quarter for new motor vehicle dealers while new dining options led to an increase in revenue for fast casual restaurants.

The City's share of the countywide use tax pool decreased 0.1% over the comparison period.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.2% over the comparable time period; the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	JC Penney
Chevrolet of Montebello	LA Auto Exchange
Chevron (2)	Landsberg Orora
City of Montebello	Macys
Clean Sweep Supply	Marshalls
Costco	Quiet Cannon
Empire Cleaning Supply	Ross
Foot Locker	Sears
Ford of Montebello	Toys R Us
Forever 21	Vertical Systems
HD Supply Repair & Remodeling	Victoria's Secret
Inland Kenworth	Westrux International

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$8,902,604	\$8,974,245
County Pool	1,173,012	1,282,572
State Pool	10,221	5,277
Gross Receipts	\$10,085,837	\$10,262,094
Less Triple Flip*	\$(2,521,459)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

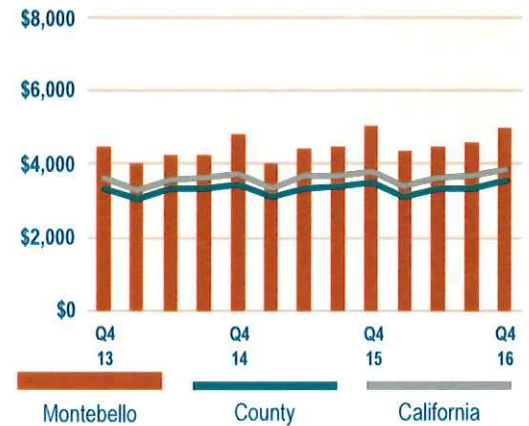
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

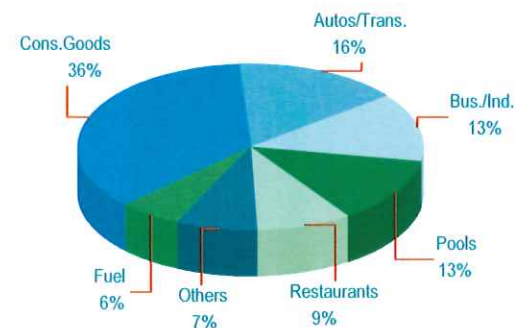
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Montebello This Quarter



MONTEBELLO TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Montebello		County	HdL State
	Q4 '16*	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	-1.0%	0.7%
Casual Dining	118.0	-7.0%	3.0%	2.5%
Department Stores	— CONFIDENTIAL —	—	-3.2%	-5.6%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.9%	-0.6%
Electronics/Appliance Stores	176.5	2.7%	1.7%	-1.2%
Family Apparel	221.4	3.2%	3.9%	4.7%
Grocery Stores	67.1	-3.4%	6.7%	3.9%
Light Industrial/Printers	237.7	-7.8%	-6.8%	-0.6%
New Motor Vehicle Dealers	429.6	11.8%	2.7%	5.6%
Quick-Service Restaurants	154.5	3.9%	5.5%	5.7%
Service Stations	186.4	-6.9%	-2.6%	-1.0%
Shoe Stores	76.1	14.0%	4.2%	4.5%
Specialty Stores	135.2	1.2%	5.5%	3.7%
Used Automotive Dealers	— CONFIDENTIAL —	—	-2.5%	7.5%
Women's Apparel	130.7	25.7%	-7.1%	-0.4%
Total All Accounts	3,184.5	-0.9%	3.6%	2.4%
County & State Pool Allocation	464.8	-1.0%	3.5%	6.9%
Gross Receipts	3,649.2	-0.9%	3.6%	3.0%