

Q1 2017



City of Diamond Bar Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Diamond Bar In Brief

Diamond Bar's receipts from January through March were 0.7% below the first sales period in 2016. However, a large negative allocation to correct prior returns from a building-construction supplier skewed the results. Excluding reporting aberrations, actual sales were up 3.5%.

Strong sales growth by multiple business-industry categories, including office equipment retailers and light industrial vendors, helped lift overall adjusted gains. Higher gas prices, consistent with the statewide trend, also boosted revenue from service stations.

The recent addition of a new grocery store and home furnishing merchant improved receipts from both food-drugs and general consumer goods. While greater variety and new dining concepts continued to inspire interest in eating out and therefore positively impacted returns from restaurants.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.1% over the comparable time period; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Grand Mobil
Albertsons	Graybar Electric
Arco AM PM	In N Out
California Integrated Solutions	McDonalds
Chevron	Pathfinder Chevron
Chilis	Restaurant Depot
Circle K	Sams Mobil
Color Marble	Shell
Color Marble Commercial Projects	Smart & Final
Crosslinks	Super H Mart
CVS Pharmacy	Target
Del Taco	Trident Supply
	Walmart
	Neighborhood Market

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,869,515	\$4,327,377
County Pool	518,994	616,138
State Pool	2,432	3,389
Gross Receipts	\$4,390,941	\$4,946,903
Less Triple Flip*	\$(806,285)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

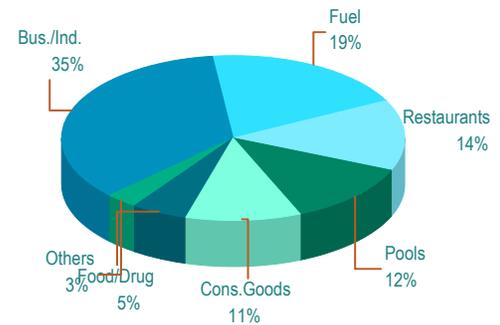
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Diamond Bar This Quarter



DIAMOND BAR TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Diamond Bar Q1 '17*	Change	County Change	HdL State Change
Auto Repair Shops	10.3	-14.7%	3.8%	5.2%
Automotive Supply Stores	13.5	-1.3%	-0.1%	0.0%
Casual Dining	63.2	-21.7%	0.6%	0.2%
Discount Dept Stores	— CONFIDENTIAL —	—	2.5%	1.6%
Drug Stores	15.5	-8.8%	-1.5%	-2.5%
Electrical Equipment	— CONFIDENTIAL —	—	-24.8%	-7.5%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	14.4%	13.1%
Grocery Stores	39.6	13.3%	1.2%	0.5%
Home Furnishings	13.8	870.6%	-0.4%	-1.9%
Light Industrial/Printers	13.0	10.5%	2.2%	7.8%
Office Equipment	14.6	65.5%	5.8%	-7.9%
Office Supplies/Furniture	14.0	13.5%	-3.9%	-0.5%
Quick-Service Restaurants	76.2	-0.8%	5.0%	4.7%
Service Stations	223.2	7.0%	6.8%	9.9%
Specialty Stores	15.5	-4.8%	2.2%	0.2%
Total All Accounts	1,014.2	-0.7%	2.6%	1.8%
County & State Pool Allocation	143.8	-0.7%	2.6%	2.9%
Gross Receipts	1,157.9	-0.7%	2.6%	1.9%