

Q3 2017



City of Diamond Bar Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Diamond Bar In Brief

Diamond Bar's receipts from July through September were 6.5% above the third sales period in 2016. However, a large retroactive allocation and payment anomalies in the prior year temporarily skewed the comparison. Excluding reporting aberrations, actual sales were down 3.8%.

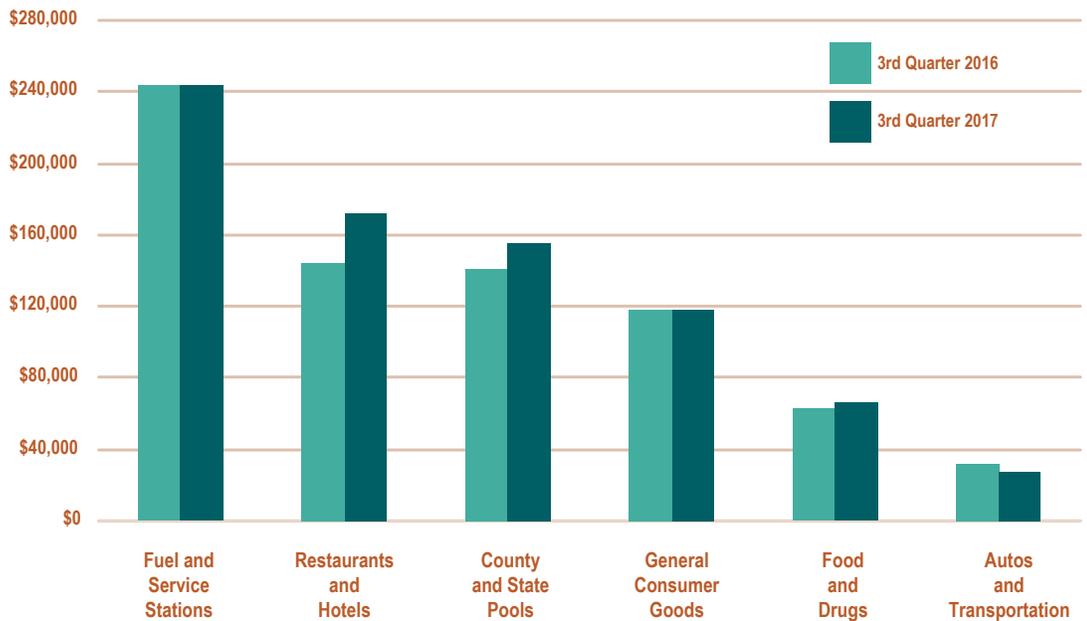
Slightly lower activity from a business to business merchant and decreased sales by auto repair and supply shops hurt the overall adjusted results.

While statewide average gas prices were higher, returns from local service stations were fairly flat compared to last year.

Solid receipts from quick-service and casual dining establishments supported gains from the restaurant group, while an increased allocation from the countywide use tax pool, largely due to a rise in capital and online purchases shipped into the region, also helped offset the adjusted drop.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	In N Out Burgers
Albertsons	McDonalds
American Standard	Pho Ha Plus
Arco AM PM	Restaurant Depot
Cafence Depot	Sams Mobil
Chevron	Shell
Chilis	Smart & Final
Circle K	Square D
Color Marble Commercial Projects	Super H Mart
CVS Pharmacy	Target
Del Taco	Trident Supply
Grand Mobil	Walmart Neighborhood Market
Graybar Electric	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,122,812	\$2,222,261
County Pool	301,298	304,875
State Pool	737	301
Gross Receipts	\$2,424,846	\$2,527,436

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

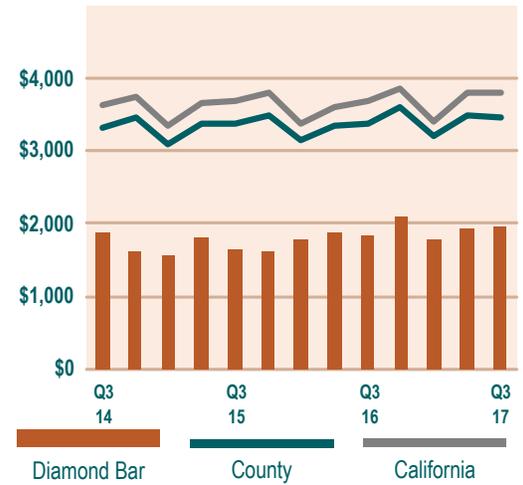
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

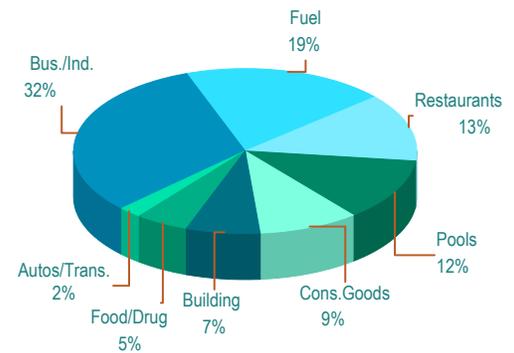
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Diamond Bar This Quarter



DIAMOND BAR TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Diamond Bar Q3 '17*	Change	County Change	HdL State Change
Auto Repair Shops	10.7	-7.5%	1.4%	3.7%
Automotive Supply Stores	10.7	-30.0%	1.7%	3.7%
Casual Dining	75.8	11.1%	3.2%	2.3%
Contractors	— CONFIDENTIAL —	—	13.9%	6.5%
Discount Dept Stores	— CONFIDENTIAL —	—	6.3%	6.1%
Drug Stores	14.8	8.4%	9.3%	7.3%
Electrical Equipment	— CONFIDENTIAL —	—	-4.2%	-6.9%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	13.1%	10.5%
Grocery Stores	42.5	4.5%	0.3%	0.6%
Home Furnishings	10.3	157.6%	3.4%	0.6%
Light Industrial/Printers	12.1	-4.0%	-5.5%	-4.0%
Office Equipment	12.6	-23.3%	0.7%	-2.5%
Quick-Service Restaurants	79.0	31.8%	3.7%	4.8%
Service Stations	243.3	-0.2%	6.8%	9.2%
Specialty Stores	14.6	0.6%	1.6%	2.2%
Total All Accounts	1,120.5	6.1%	3.2%	4.1%
County & State Pool Allocation	155.3	9.7%	6.7%	4.8%
Gross Receipts	1,275.8	6.5%	3.6%	4.2%