

Q2 2018



City of Diamond Bar Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Diamond Bar In Brief

Diamond Bar's receipts from April through June were 5.6% below the second sales period in 2017. Excluding reporting aberrations, actual sales were down 4.4%.

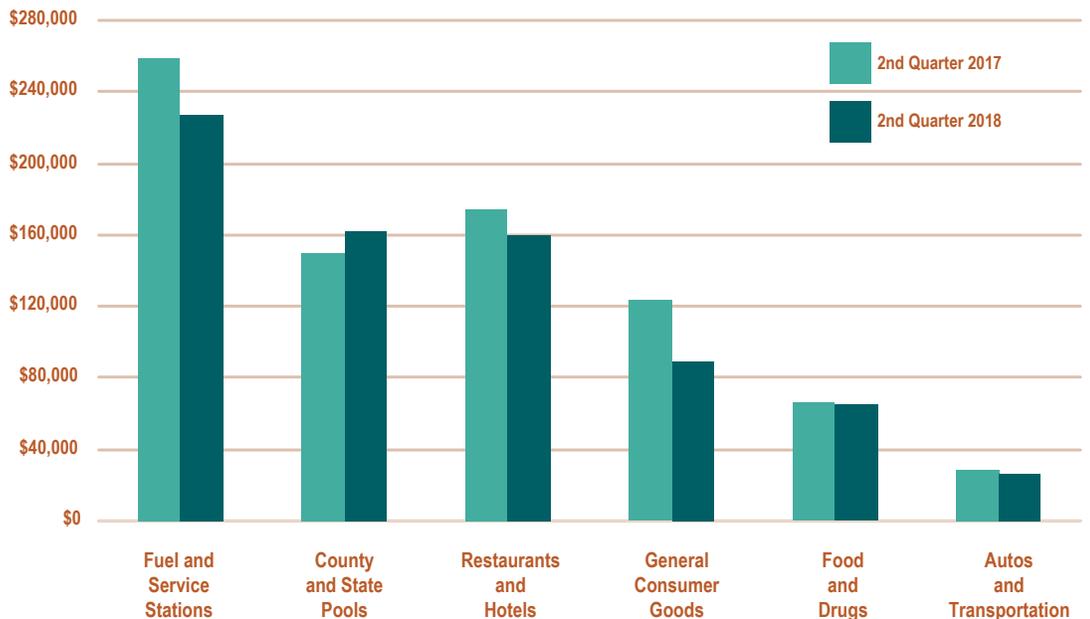
A decline in sales by an industrial supplier was mostly responsible for the drop from the prior year peak.

Comparisons in other sectors were more heavily impacted by a lack of allocations made from CDTFA for the second quarter in a row. Since transitioning to a new reporting system, CDFTA was unable to include all tax return payments in its remittances to the City. The sectors most heavily impacted include fuel and service stations, general consumer goods and restaurants and hotels.

After factoring in expected future remittances, service stations increased in conjunction with local gas prices. However, general consumer goods experienced a one-time receipt in the comparison period that did not repeat.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.6% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Diamond Hills Collision Center
Albertsons	Graybar Electric
Arco AM PM	McDonald's
BBQ Stop	Pho Ha Plus
Bedshe International	Restaurant Depot
Cafence Depot	Sams Mobil
Chevron	Shell
Circle K	Smart & Final
Color Marble Commercial Projects	Sprouts Farmers Market
CVS Pharmacy	Target
Del Taco	Trident Supply
Diamond Bar Mobil	Walmart Neighborhood Market
Diamond Bar Shell	

REVENUE COMPARISON

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

	2016-17	2017-18
Point-of-Sale	\$4,362,608	\$4,276,720
County Pool	606,536	617,162
State Pool	2,438	2,442
Gross Receipts	\$4,971,582	\$4,896,324

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

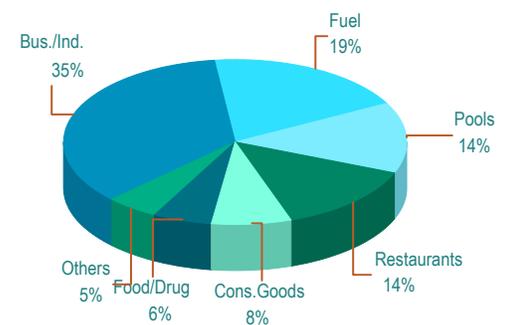
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

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 Q2 '18*	Change	County Change	HdL State Change
Auto Repair Shops	11.5	-8.0%	-14.7%	-14.8%
Automotive Supply Stores	10.6	-7.3%	-10.2%	-11.6%
Casual Dining	71.1	-9.2%	-11.5%	-12.7%
Contractors	— CONFIDENTIAL —	—	-14.3%	-10.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-15.2%	-13.5%
Drug Stores	15.4	-4.7%	-3.8%	-4.2%
Electrical Equipment	— CONFIDENTIAL —	—	-25.3%	-26.1%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	-6.0%	-3.5%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	-17.2%	-19.9%
Grocery Stores	40.6	-0.4%	-12.1%	-7.0%
Office Equipment	— CONFIDENTIAL —	—	-21.7%	-21.2%
Office Supplies/Furniture	10.3	-46.2%	-46.9%	-25.8%
Quick-Service Restaurants	67.3	-12.8%	-6.0%	-6.0%
Service Stations	227.5	-12.2%	-23.8%	-26.6%
Specialty Stores	12.8	-36.2%	-8.7%	-4.5%
Total All Accounts	1,019.5	-7.5%	-11.9%	-12.2%
County & State Pool Allocation	162.5	8.4%	3.2%	5.5%
Gross Receipts	1,182.1	-5.6%	-10.1%	-10.1%