

Q3 2018



City of Diamond Bar Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Diamond Bar In Brief

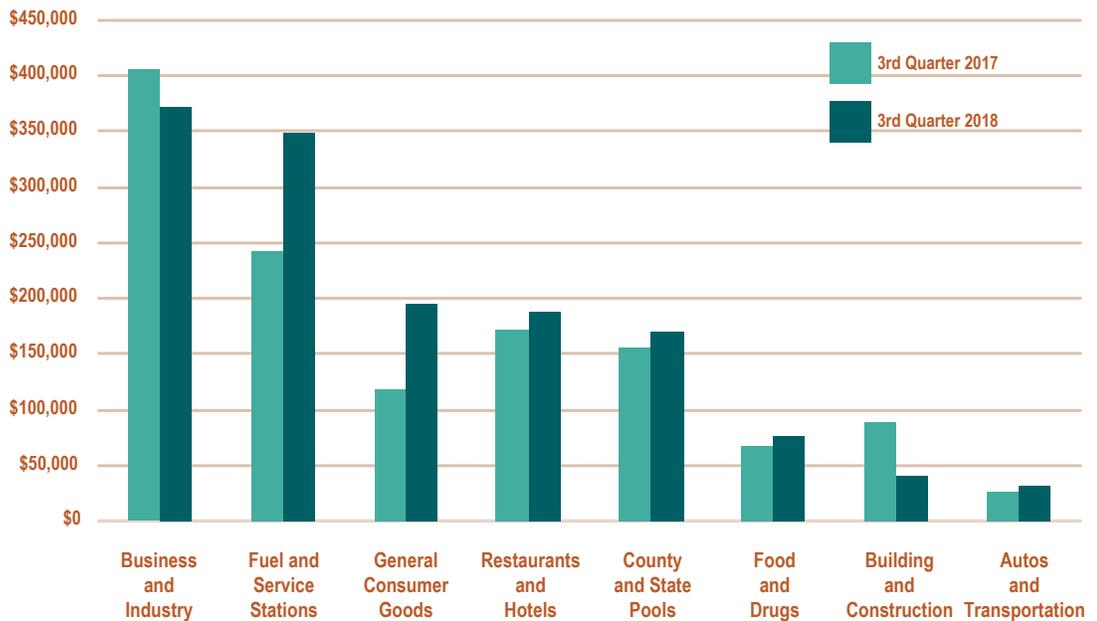
Diamond Bar's receipts from July through September were 11.6% above the third sales period in 2017. This dramatic rise is mostly attributed to CDTFA's transition to a new reporting system where multiple returns not processed in the prior period were received with this quarter's allocations. Once all remittances were shown correctly, actual sales in the current period were down 0.6%.

Continued softer sales activity compared to prior year peaks hurt both business-industry and building-construction sectors. Closeouts of quick-service and casual dining establishments negatively impacted restaurants.

In contrast, steady price increases at the pump, mostly due to the global cost of crude oil and the implementation of SB-1 locally, pushed gas station returns higher. The recent addition a new grocery store and general consumer merchants also helped offset the adjusted decline.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.0% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Diamond Bar Shell
Albertsons	Grand Mobil
American Standard	Graybar Electric
Arco AM PM	In N Out Burger
Bedshe International	McDonald's
Born Korean BBQ	Pho Ha Plus
Chevron	Restaurant Depot
Chilis	Ross
Circle K	Sams Mobil
Color Marble Commercial Projects	Shell
CVS Pharmacy	Smart & Final
Diamond Bar Chevron	Target
	Walmart Neighborhood Market

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$1,120,536	\$1,252,719
County Pool	154,385	170,035
State Pool	877	643
Gross Receipts	\$1,275,797	\$1,423,397

California Overall

The CDTEA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

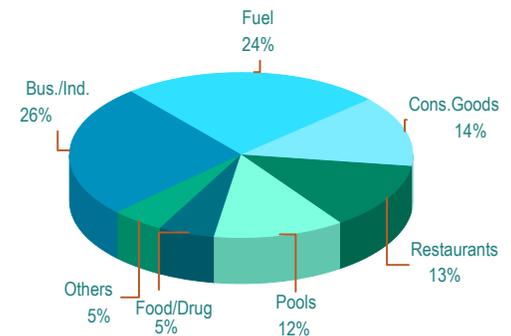
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Diamond Bar This Quarter



DIAMOND BAR TOP 15 BUSINESS TYPES

<i>*In thousands of dollars</i>				
Business Type	Diamond Bar		County	HdL State
	Q3 '18*	Change	Change	Change
Automotive Supply Stores	13.4	25.7%	9.7%	9.1%
Casual Dining	91.3	13.4%	15.7%	14.6%
Contractors	31.7	-60.3%	44.5%	37.6%
Discount Dept Stores	—	CONFIDENTIAL	17.9%	18.3%
Drug Stores	14.6	-1.5%	2.5%	2.8%
Electrical Equipment	—	CONFIDENTIAL	39.7%	34.8%
Family Apparel	—	CONFIDENTIAL	36.4%	36.4%
Food Service Equip./Supplies	—	CONFIDENTIAL	19.6%	24.1%
Grocery Stores	51.2	20.4%	22.4%	16.1%
Home Furnishings	12.3	19.4%	25.1%	21.9%
Light Industrial/Printers	14.7	21.2%	27.3%	30.1%
Office Supplies/Furniture	14.8	42.5%	27.8%	9.2%
Quick-Service Restaurants	76.0	2.0%	11.4%	13.4%
Service Stations	348.3	43.1%	43.8%	43.0%
Specialty Stores	24.1	65.4%	12.6%	8.9%
Total All Accounts	1,252.7	11.8%	21.7%	21.8%
County & State Pool Allocation	170.7	9.9%	19.7%	27.8%
Gross Receipts	1,423.4	11.6%	21.5%	22.6%