

# Q4 2018



# City of Diamond Bar Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

## Diamond Bar In Brief

Diamond Bar's receipts from October through December were 44.2% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 40.2%.

A large taxpayer reporting error temporarily exaggerated the business-industry category and overall results. Other returns from business-industrial merchants were slightly lower than the prior year.

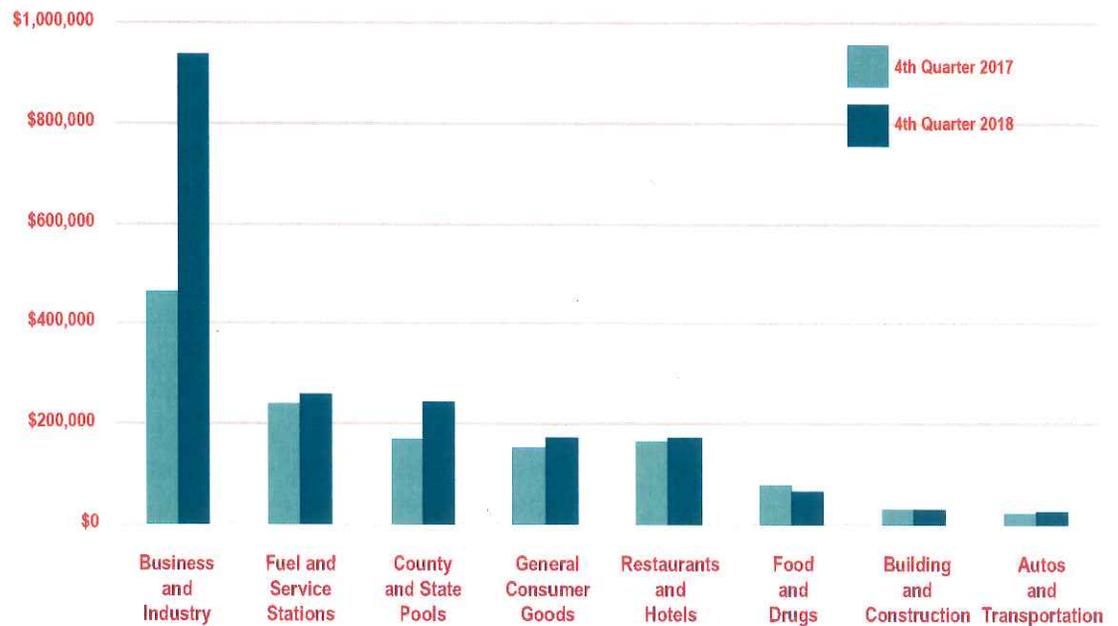
The recent addition of a family apparel outlet and improved sales by specialty retailers helped lift holiday receipts from general consumer goods. Higher gas prices at the pump pushed service stations growth, while the reopening of a quick-service establishment enhanced restaurant revenue.

This growth in local point of sale revenue and increased capital and online purchases of items shipped into the region boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

In contrast, after the opening of a new grocery store in the comparison period, food-drugs sector struggled to match last year's peak partially offsetting the gains.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.2% over the comparable time period; the Southern California region was up 2.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Grand Mobil
Advance Systems Consultants	Graybar Electric
Albertsons	McDonald's
American Standard	Pho Ha Plus
Arco AM PM	Restaurant Depot
Bedshe International	Ross
California Integrated Solutions	Sams Mobil
Chevron	Shell
Chilis	Smart & Final
Circle K	Sol Components
Color Marble Commercial	Target
CVS	Walmart Neighborhood Market
	Wiwynn

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$2,279,799	\$2,924,890
County Pool	323,891	414,280
State Pool	1,213	1,457
<b>Gross Receipts</b>	<b>\$2,604,904</b>	<b>\$3,340,627</b>

**Statewide Results**

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

**The Retail Evolution Continues**

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

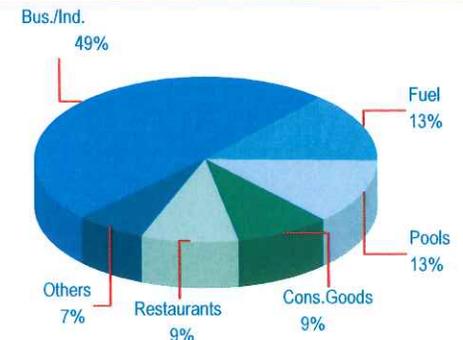
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Diamond Bar This Quarter



**DIAMOND BAR TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Diamond Bar		County	HdL State
	Q4 '18*	Change	Change	Change
Business Services	— CONFIDENTIAL —	—	-8.8%	14.7%
Casual Dining	82.7	-0.7%	2.6%	2.5%
Contractors	25.2	-4.0%	22.0%	17.3%
Discount Dept Stores	— CONFIDENTIAL —	—	2.7%	3.9%
Electrical Equipment	— CONFIDENTIAL —	—	5.5%	-1.2%
Family Apparel	22.8	388.1%	1.6%	0.5%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	6.7%	3.6%
Grocery Stores	43.6	-12.2%	-19.3%	-11.7%
Heavy Industrial	— CONFIDENTIAL —	—	-2.3%	5.8%
Home Furnishings	18.0	13.0%	0.7%	0.0%
Office Equipment	— CONFIDENTIAL —	—	5.1%	12.8%
Office Supplies/Furniture	18.5	126.4%	131.7%	na
Quick-Service Restaurants	70.4	0.0%	7.0%	6.6%
Service Stations	257.9	7.8%	28.4%	28.5%
Specialty Stores	21.4	37.7%	-10.8%	-10.8%
<b>Total All Accounts</b>	<b>1,672.2</b>	<b>44.2%</b>	<b>9.0%</b>	<b>7.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>245.1</b>	<b>44.3%</b>	<b>9.0%</b>	<b>8.6%</b>
<b>Gross Receipts</b>	<b>1,917.2</b>	<b>44.2%</b>	<b>9.0%</b>	<b>7.2%</b>