

Q3 2017



City of Azusa Sales Tax *Update*

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

Azusa In Brief

Receipts from Azusa's July through September sales were 9.6% higher than the same quarter one year ago. Actual sales activity increased 6.6% after accounting aberrations were factored out.

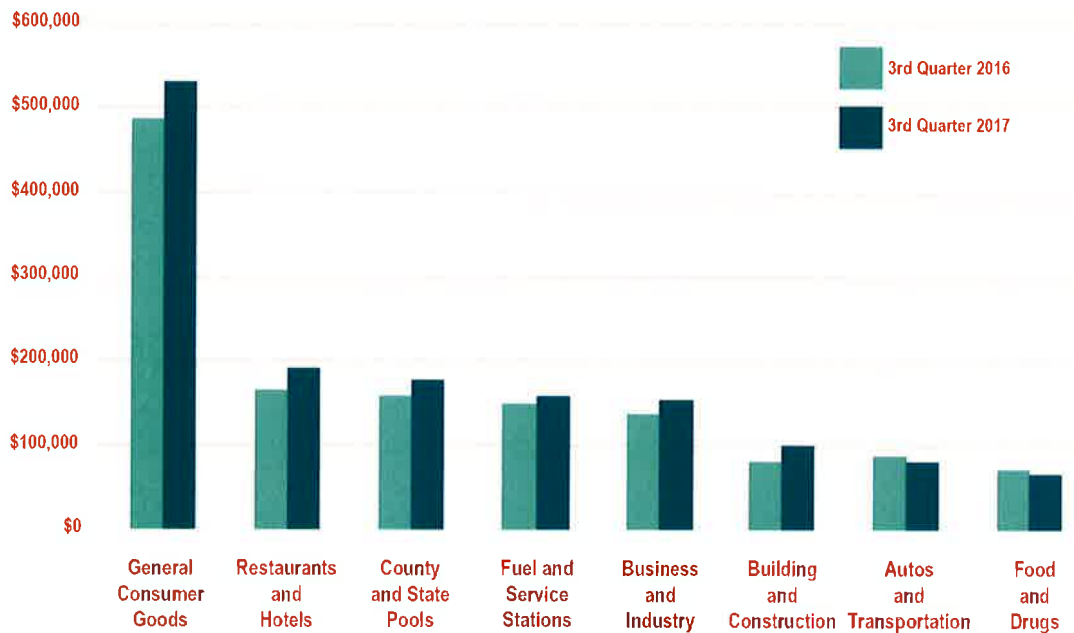
A newer retail store addition and stronger sales in several categories boosted general consumer goods. New eatery openings lifted revenues in all restaurant sections.

A onetime use tax receipt temporarily increased returns from business-industry. Excluding this one-time payment, group results were down 11.1%. Higher fuel prices positively impacted service station returns. A larger allocation from the countywide use tax pool was also a factor.

The gains were partially offset by a business closure and lower sales which depressed autos-transportation receipts. Prior year payment adjustments negatively impacted current quarter results for the food-drugs group.

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

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Kali Matha Mobil
Auto Exchange West	McDonalds
Azusa Arco	Outlet By ELS
Azusa Pacific University	Rain Bird Corporation
Chevron	Ross
Chick Fil A	Shell
Costco	Stater Bros
CVS Pharmacy	Target
Digital Printing Systems	Tektronix Texas
Evas Shell	Totten Tubes
Ferguson Enterprises	USA Gas
G & M Oil	Valley Thrift Store
	Virginia Hardwood

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,351,299	\$2,512,297
County Pool	333,630	344,685
State Pool	816	362
Gross Receipts	\$2,685,745	\$2,857,344

NOTES

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.

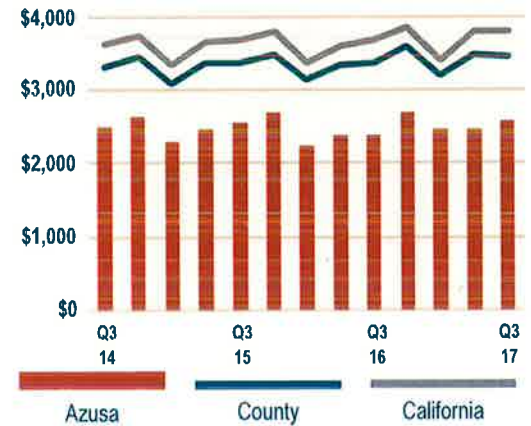
Sales Tax and Natural Disasters

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

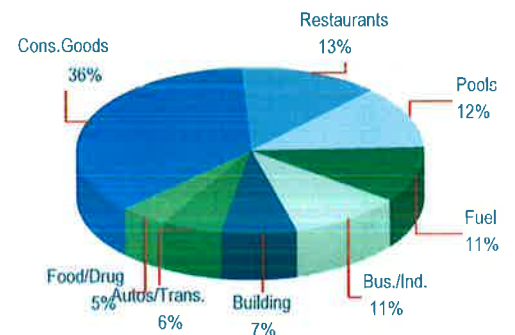
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five 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
Azusa This Quarter



AZUSA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Azusa	County	HdL State	
	Q3 '17*	Change	Change	Change
Auto Repair Shops	24.1	-4.3%	1.3%	3.7%
Automotive Supply Stores	26.3	7.8%	1.8%	3.7%
Building Materials	30.0	51.4%	3.3%	5.6%
Casual Dining	53.6	19.5%	3.2%	2.4%
Contractors	21.5	22.3%	14.0%	6.5%
Convenience Stores/Liquor	27.8	-12.5%	7.1%	7.8%
Discount Dept Stores	— CONFIDENTIAL —		6.3%	6.1%
Electrical Equipment	— CONFIDENTIAL —		-4.6%	-6.6%
Family Apparel	— CONFIDENTIAL —		3.3%	1.6%
Heavy Industrial	49.3	9.4%	-5.4%	6.2%
Light Industrial/Printers	28.7	-23.7%	-5.2%	-4.7%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		3.4%	4.6%
Quick-Service Restaurants	118.9	17.3%	3.7%	4.8%
Service Stations	157.8	6.2%	6.8%	9.2%
Stationery/Book Stores	— CONFIDENTIAL —		-9.4%	-9.0%
Total All Accounts	1,283.6	9.2%	3.2%	4.1%
County & State Pool Allocation	177.9	12.9%	6.7%	4.8%
Gross Receipts	1,461.5	9.6%	3.6%	4.2%