

Q3 2016



City of San Gabriel Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

San Gabriel In Brief

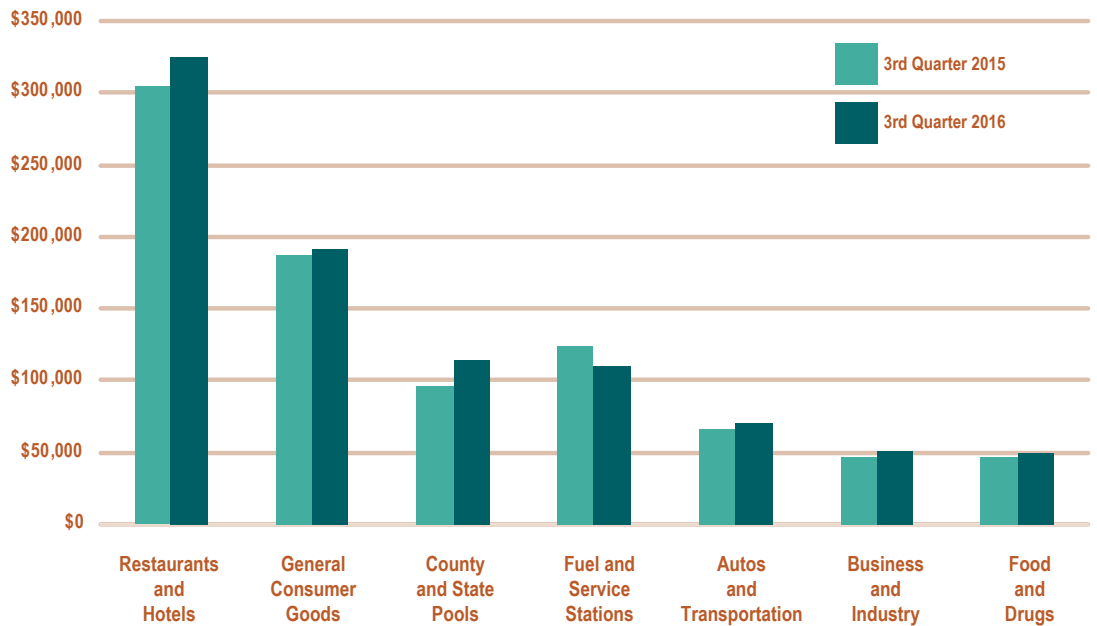
San Gabriel's receipts from July through September were 7.7% above 2015's third sales quarter. Excluding reporting aberrations, actual sales were up 3.0%.

Approximately half of the quarterly revenue gain was due to one-time reporting aberrations that cut building and construction receipts in the comparison quarter. Net of adjustments, restaurants and hotels, business and industry, food and drugs and autos and transportation categories proceed were up. Growth in most business segments in business and industry and the food and drugs groups bested countywide trends. The City's allocation from the countywide use tax pool, up 18.6%, reflected the relative strength of local sales activity.

Persistently low oil prices reduced fuel and service station totals by keeping gasoline prices below year-ago levels.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.8% over the year-earlier sales period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Hilton
99 Ranch Market	Hing Wa Lee Jewelers
A C Unique Glass	Honex Energy 76
Airstream Los Angeles	JHM Supply
Arco	Mission Car Wash
Boiling Point	Mission Hardware
Boston Lobster	Newport Seafood
Chong Hing Goldsmith	Sam Woo BBQ
Ferguson Enterprises	San Gabriel Service Center
Five Star Seafood Restaurant	Service King Paint & Body
Garvey Equipment	Sushi Mon
Hawaii Super Market	Union 76
	USA Gasoline

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,673,815	\$1,744,763
County Pool	209,605	247,882
State Pool	883	606
Gross Receipts	\$1,884,303	\$1,993,250
Less Triple Flip*	\$(471,076)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

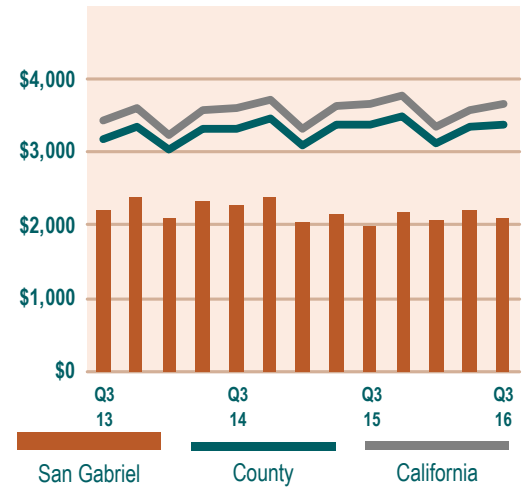
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

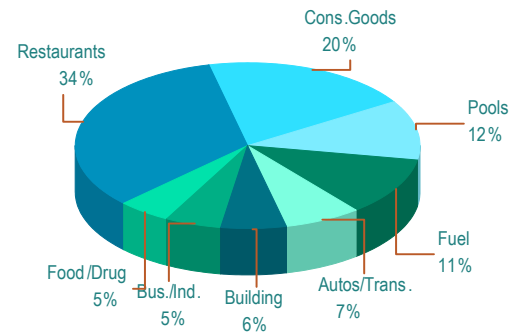
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
San Gabriel This Quarter



SAN GABRIEL TOP 15 BUSINESS TYPES

Business Type	San Gabriel		County	HdL State
	Q3 '16	Change	Change	Change
Auto Repair Shops	26,887	-0.7%	4.6%	4.5%
Casual Dining	171,177	10.4%	4.9%	4.4%
Electronics/Appliance Stores	13,716	106.0%	-0.3%	-1.5%
Fine Dining	— CONFIDENTIAL —	—	12.0%	12.1%
Garden/Agricultural Supplies	25,022	1.8%	1.3%	10.8%
Grocery Stores	29,271	10.7%	-6.5%	-2.1%
Hardware Stores	— CONFIDENTIAL —	—	-1.3%	1.2%
Home Furnishings	12,205	3.0%	-1.8%	-0.3%
Jewelry Stores	82,333	-10.5%	6.7%	4.1%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	1.8%	4.6%
Quick-Service Restaurants	113,583	7.9%	10.3%	8.9%
Service Stations	110,410	-10.9%	-18.3%	-13.8%
Specialty Stores	37,160	0.4%	3.5%	2.2%
Sporting Goods/Bike Stores	13,665	66.6%	-5.2%	-0.6%
Trailers/RVs	— CONFIDENTIAL —	—	8.9%	11.7%
Total All Accounts	853,495	6.4%	0.3%	0.9%
County & State Pool Allocation	114,386	18.7%	11.9%	11.5%
Gross Receipts	967,881	7.7%	1.6%	2.2%