

Q1 2016



City of Irwindale Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Irwindale In Brief

Irwindale's receipts from January through March were 11.4% below the first sales period in 2015. Excluding reporting aberrations, actual sales were down 4.9%.

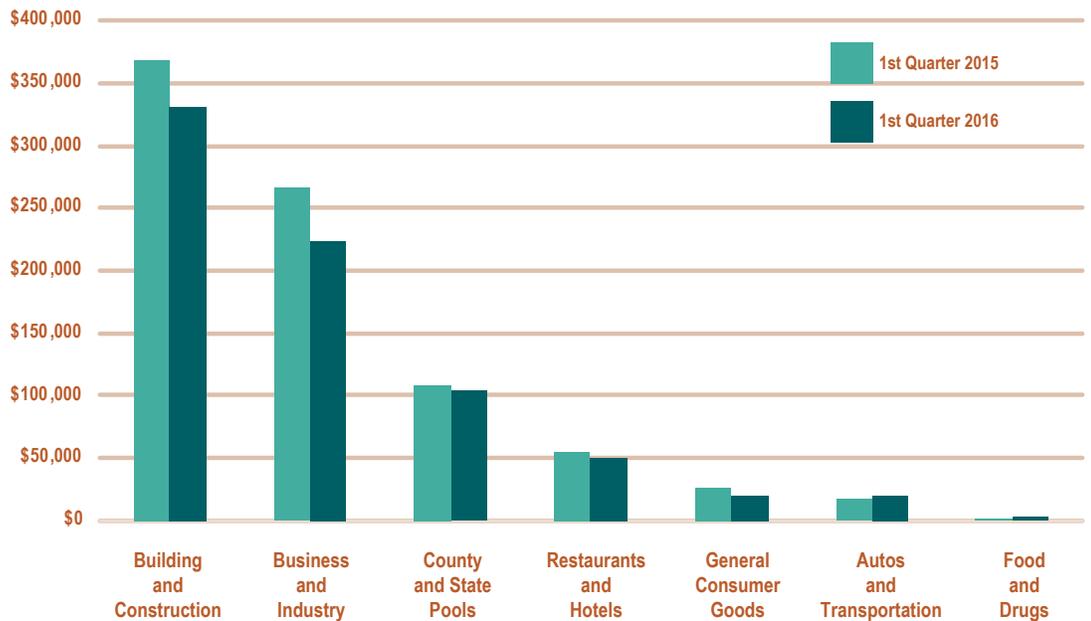
The City experienced a decline in sales for contractors. Accounting adjustments that inflated year-ago returns exaggerated the drop in drugs and chemicals. Onetime payments that temporarily boosted last year's allocations for light industrial and printers are responsible for the current decrease.

A new business addition helped increase revenue from autos and transportation. Sales in the food and drug category remain steady.

The City's share of the countywide use tax pool was down 3.7% over the comparison period.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.7% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACH Supply	L & L Building Materials
Airgas USA	National Ready Mixed Concrete
Applied Industrial Tech	Pacific National Group
Arco	Rivergrade Shell Station
Arco AM PM (2)	Sigler
Bartley Optical Sales	Spragues Rock & Sand
Cal Blend Soils	United Rock Products
Chaparral Concrete	Unitek
C P Crowley	Vulcan Materials
Chem Arrow	Western Emulsions
Davis Wire	
Decore Ative Specialties	
Food Makers Bakery Equipment	
Holiday Rock	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$3,765,590	\$3,192,125
County Pool	468,031	421,872
State Pool	2,474	1,766
Gross Receipts	\$4,236,094	\$3,615,763
Less Triple Flip*	\$(1,059,024)	\$(694,630)

*Reimbursed from county compensation fund

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

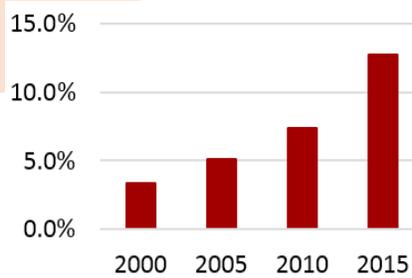
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

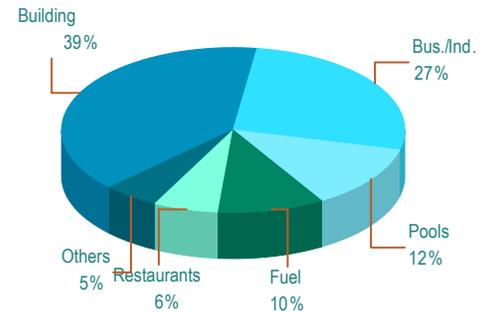
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER ACCOUNT



**REVENUE BY BUSINESS GROUP
Irwindale This Quarter**



IRWINDALE TOP 15 BUSINESS TYPES

Business Type	Irwindale		County	HdL State
	Q1 '16	Change	Change	Change
Automotive Supply Stores	7,798	73.3%	5.7%	4.8%
Contractors	312,716	-11.2%	6.5%	3.2%
Drugs/Chemicals	54,547	-15.7%	-12.6%	-6.8%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	4.6%	2.7%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	-16.8%	-1.6%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	-1.1%	0.0%
Heavy Industrial	51,564	-0.8%	3.2%	-1.9%
Light Industrial/Printers	24,347	-44.4%	-3.4%	-1.7%
Lumber/Building Materials	— CONFIDENTIAL —	—	8.2%	4.5%
Medical/Biotech	— CONFIDENTIAL —	—	3.5%	7.9%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-14.5%	-7.0%
Quick-Service Restaurants	32,335	-15.0%	4.8%	6.4%
Repair Shop/Equip. Rentals	7,739	-31.2%	17.6%	16.9%
Service Stations	— CONFIDENTIAL —	—	-7.4%	-9.3%
Textiles/Furnishings	11,307	16.7%	-0.9%	10.1%
Total All Accounts	733,295	-12.4%	1.7%	1.8%
County & State Pool Allocation	103,947	-4.1%	11.3%	14.1%
Gross Receipts	837,243	-11.4%	2.8%	3.2%

Q2 2016



City of Irwindale Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Irwindale In Brief

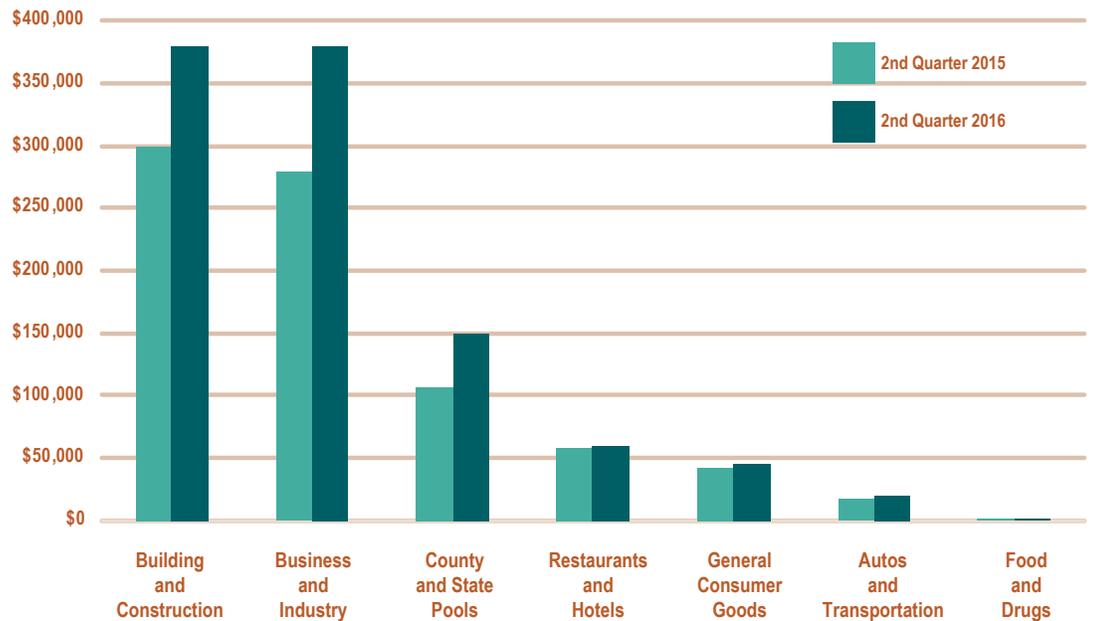
Irwindale's allocation of sales and use tax from its April through June sales was 22.5% higher than last year's spring quarter. Actual sales activity was down 6.2% after retro-active audit recoveries and various accounting anomalies within the contractor supply, heavy and light industrial and drugs/chemicals categories are factored out.

Generally, the City experienced a solid quarter for garden/agriculture supplies, textile/furniture mfg. and fast casual restaurants. A rise in the countywide use tax allocation pool and recent additions to the auto group also contributed to the overall increase. The recovery of tax revenues from previous one-time purchases of capital equipment temporarily boosted some industrial categories.

The gains were offset by declining fuel prices and reduced purchases of contractor materials and food processing equipment.

Adjusted for aberrations, sales and use tax revenues for all of Los Angeles County grew 1.1% over the comparable time period, while Southern California as a whole was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACH Supply	Krones
Airgas USA	L & L Building Materials
Applied Industrial Tech	Miller Brewing
Arco	National Ready Mixed Concrete
Arco AM PM (2)	Renaissance Pleasure Faire
Bartley Optical Sales	Rivergrade Shell Station
Charles P Crowley	Spragues Rock & Sand
Chem Arrow	United Rock Products
Decore Ative Specialties	Unitek
DSI Process Systems	Vulcan Materials
Food Makers Bakery Equipment	Western Emulsions
Hanson Aggregates West	
Holliday Rock	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$821,971	\$989,513
County Pool	106,915	148,536
State Pool	692	347
Gross Receipts	\$929,578	\$1,138,397
Less Triple Flip*	\$(232,394)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

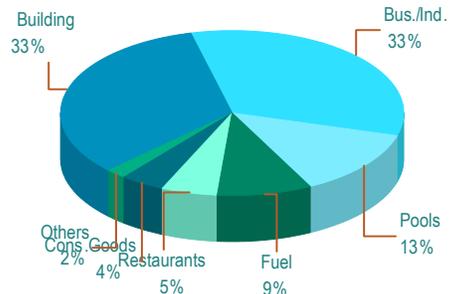
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER ACCOUNT



REVENUE BY BUSINESS GROUP
Irwindale This Quarter



IRWINDALE TOP 15 BUSINESS TYPES

Business Type	Irwindale		County	HdL State
	Q2 '16	Change	Change	Change
Art/Gift/Novelty Stores	— CONFIDENTIAL —	—	3.3%	3.1%
Casual Dining	10,020	-9.1%	6.4%	4.2%
Contractors	362,492	27.7%	10.0%	6.4%
Drugs/Chemicals	60,163	26.0%	0.7%	3.3%
Fast-Casual Restaurants	11,831	20.5%	3.8%	4.1%
Food Service Equip./Supplies	50,436	-11.9%	9.9%	13.8%
Garden/Agricultural Supplies	16,645	25.6%	-1.1%	5.5%
Heavy Industrial	143,517	104.1%	4.0%	6.3%
Light Industrial/Printers	46,633	55.3%	-5.9%	0.5%
Medical/Biotech	— CONFIDENTIAL —	—	-7.7%	12.9%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-20.7%	-153.9%
Quick-Service Restaurants	36,558	4.1%	6.2%	6.7%
Service Stations	100,749	-19.2%	-20.5%	-19.2%
Specialty Stores	10,032	3.4%	-0.5%	2.5%
Textiles/Furnishings	11,552	31.9%	16.1%	25.9%
Total All Accounts	989,513	20.4%	0.1%	-0.6%
County & State Pool Allocation	148,884	38.4%	15.1%	15.2%
Gross Receipts	1,138,397	22.5%	1.9%	1.4%

Q3 2016



City of Irwindale Sales Tax Update

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

Irwindale In Brief

Irwindale's receipts from July through September were 15.2% below the third sales period in 2015. Excluding reporting aberrations, actual sales were down 9.7%.

Multiple onetime payments in the comparative quarter, accounting anomalies in the current quarter and lower sales activity that impacted heavy industrial and food service equipment and supplies were a major factor in the overall decline in receipts.

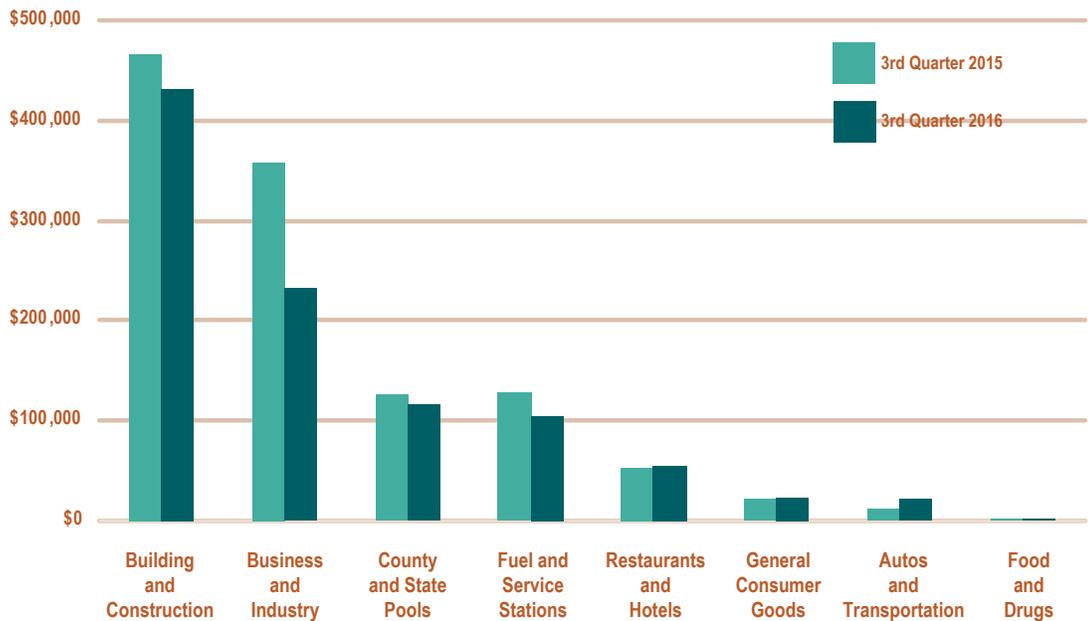
A drop in sales from contractors, the City's largest business type, also contributed to the decrease. Contractors' sales have been down for three straight quarters. Continued lower gas prices again depressed service station receipts consistent with local trends.

The City's allocation from the countywide use tax pool decreased 6.7% during the quarter due to the large drop in point of sale receipts.

The City did experience gains in the automotive sector, general consumer goods and the restaurant group.

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

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACH Supply	Hanson Aggregates West
Airgas USA	Holiday Rock
Applied Industrial Tech	L & L Building Materials
Arco AM PM (3)	McDonalds
Bartley Optical Sales	National Ready Mixed Concrete
CEI Enterprises	Rivergrade Shell Station
Chaparral Concrete	Sigler
Charlie's Produce	Spragues Rock & Sand
Chem Arrow	Unitek
Decore Ative Specialties	Vulcan Materials
Food Makers Bakery Equipment	Western Emulsions
Geary Pacific Supply	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,863,422	\$1,861,377
County Pool	231,847	265,085
State Pool	886	646
Gross Receipts	\$2,096,155	\$2,127,108
Less Triple Flip*	\$(524,039)	\$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.

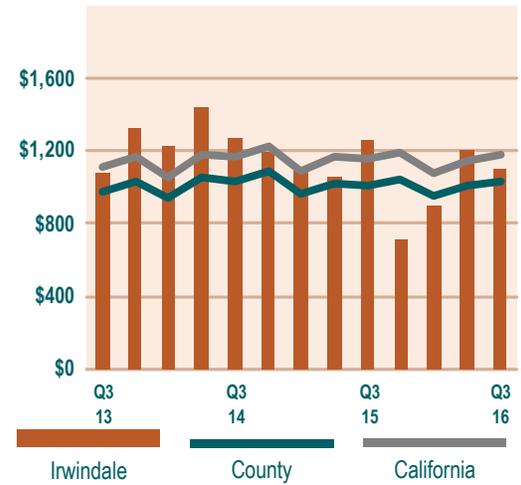
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have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

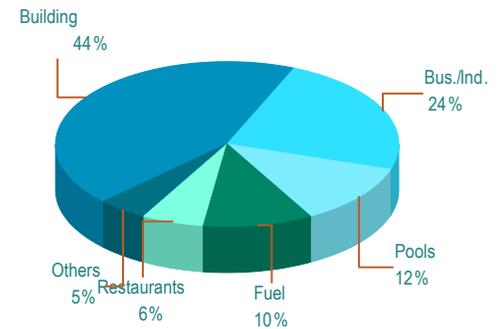
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major 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 ACCOUNT



REVENUE BY BUSINESS GROUP
Irwindale This Quarter



IRWINDALE TOP 15 BUSINESS TYPES

Business Type	Irwindale		County	HdL State
	Q3 '16	Change	Change	Change
Contractors	417,019	-7.3%	0.8%	1.5%
Drugs/Chemicals	87,685	38.6%	2.2%	4.4%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	5.2%	5.0%
Food Service Equip./Supplies	21,926	-62.9%	-3.7%	-0.7%
Garden/Agricultural Supplies	17,126	20.0%	1.3%	10.7%
Heavy Industrial	46,909	-56.7%	7.4%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	4.8%	6.8%
Medical/Biotech	— CONFIDENTIAL —	—	-2.2%	7.5%
Office Equipment	— CONFIDENTIAL —	—	-4.0%	-1.2%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-37.0%	-18.6%
Quick-Service Restaurants	38,574	9.5%	10.3%	8.9%
Service Stations	103,292	-19.1%	-18.3%	-13.8%
Specialty Stores	9,507	7.3%	3.2%	2.0%
Textiles/Furnishings	11,734	14.3%	13.1%	25.0%
Used Automotive Dealers	— CONFIDENTIAL —	—	0.9%	8.1%
Total All Accounts	871,864	-16.3%	0.3%	0.9%
County & State Pool Allocation	116,848	-6.6%	11.9%	11.5%
Gross Receipts	988,712	-15.2%	1.6%	2.2%

Q4 2016



City of Irwindale Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Irwindale In Brief

Receipts from Irwindale's October through December sales were 32.2% higher than the same quarter one year ago but reporting aberrations skewed the data. With anomalies removed, actual sales were down 6.4%.

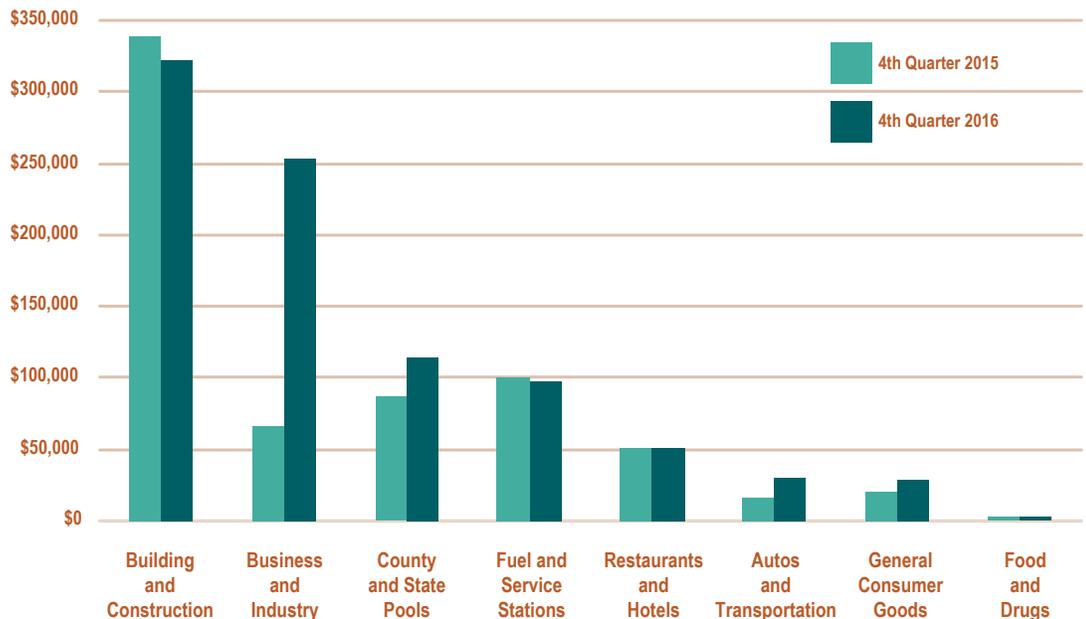
The sharp disparity between cash receipts and actual sales activity was due to a large negative payment adjustment that depressed prior year totals while exaggerating this quarter's business and industry positive results. With the adjustment factored out, group results were down 24%.

Due to a newer business addition, autos and transportation revenues were up. New retail outlet openings buoyed general consumer goods returns. A 32.1% larger allocation from the countywide use tax pool was also a factor.

The gains were partially offset by continued lower fuel prices which negatively impacted service station receipts. A weakness in contractor material and supply sales dropped building and construction results.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.2% over the comparable time period, while the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACH Supply	L & L Building Materials
Airgas USA	McDonalds
Applied Industrial Tech	Miller Brewing
Arco AM PM	Miura
Chaparral Concrete	National Ready Mixed Concrete
Chem Arrow	Patton Sales
Crowley Company	Rivergrade Shell Station
Decore Ative Specialties	Sigler
DSI Process Systems	Spragues Rock & Sand
Food Makers Bakery Equipment	Unitek
Hanson Aggregates West	VR Best Auto
Holiday Rock	Vulcan Materials
	Western Emulsions

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,458,830	\$2,648,638
County Pool	317,450	379,174
State Pool	2,240	1,454
Gross Receipts	\$2,778,520	\$3,029,266
Less Triple Flip*	\$(694,630)	\$0

*Reimbursed from county compensation fund

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NOTES

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

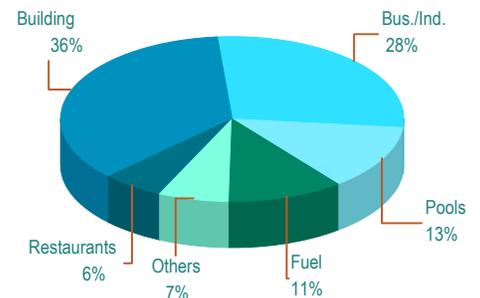
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER ACCOUNT



REVENUE BY BUSINESS GROUP
Irwindale This Quarter



IRWINDALE TOP 15 BUSINESS TYPES

Business Type	Irwindale		County	HdL State
	Q4 '16	Change	Change	Change
Building Materials	12,154	27.5%	-1.0%	0.7%
Contractors	304,510	-5.1%	2.0%	0.1%
Drugs/Chemicals	74,610	13.9%	-14.7%	-1.3%
Electrical Equipment	7,463	44.9%	10.5%	6.9%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	9.0%	4.9%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	37.1%	12.7%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	3.7%	-3.0%
Heavy Industrial	50,781	-22.9%	22.1%	12.9%
Light Industrial/Printers	27,165	-12.3%	-6.8%	-0.6%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-19.6%	-9.4%
Quick-Service Restaurants	37,143	9.9%	5.5%	5.7%
Service Stations	97,642	-2.7%	-2.6%	-1.0%
Specialty Stores	8,997	28.7%	5.5%	3.7%
Textiles/Furnishings	16,360	3.9%	12.3%	14.1%
Used Automotive Dealers	— CONFIDENTIAL —	—	-2.5%	7.5%
Total All Accounts	787,261	32.2%	3.6%	2.4%
County & State Pool Allocation	114,897	32.1%	3.5%	6.9%
Gross Receipts	902,158	32.2%	3.6%	3.0%