

Q1 2019



City of Irwindale Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Irwindale In Brief

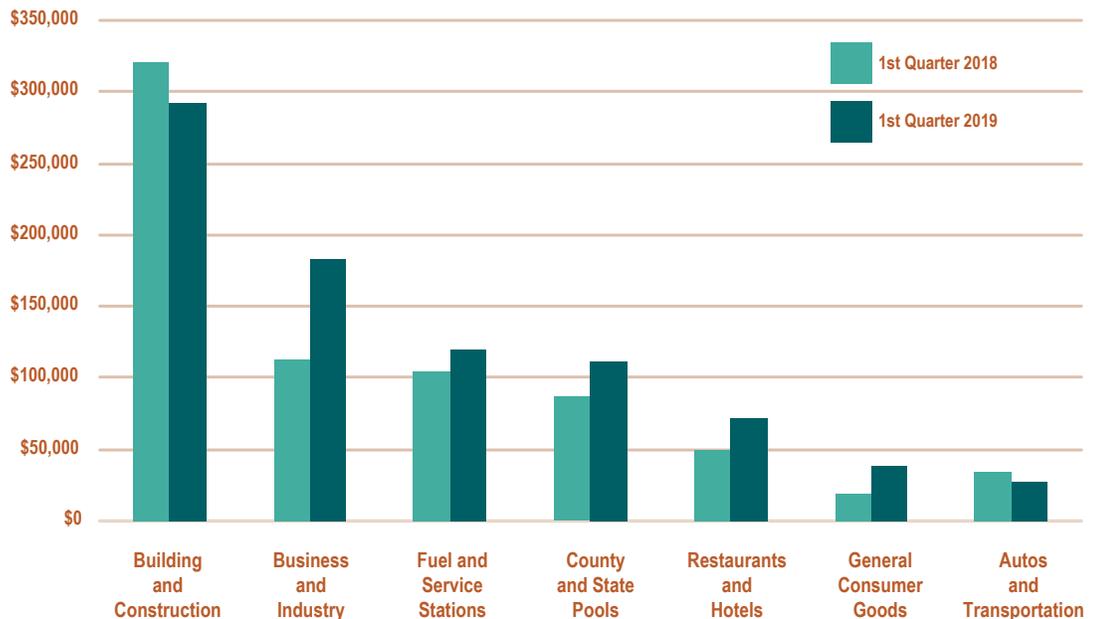
Irwindale's allocation of sales and use tax from its January through March sales was 16.6% higher than the first quarter of 2018. However, the allocation was inflated by back payments related to state problems with its new computer system. Receipts were down 5.2% after factoring for these new errors and other accounting anomalies.

A generally soft quarter for some categories of building-construction supplies and onetime purchases that had inflated last year's receipts from heavy industry and food services were partially responsible for the actual decrease. Lower fuel prices and the relocation of an industrial gases supplier were also factors.

The losses were partially offset by new restaurant and retail additions and a generally solid quarter for restaurant patronage.

Adjusted for state computer issues and accounting aberrations, sales and use tax receipts for all of Los Angeles County and the Southern California region as a whole, rose 0.9% over the comparable time period.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACH Supply	L & L Building Materials
Applied Industrial Tech	Lifetouch National School Studios
Arco	McDonalds
Bartley Optical Sales	Miller Brewing Company
Bzrth	National Ready Mixed Concrete
Chem Arrow	Patton Sales
Chaparral Concrete	Renaissance Pleasure Faire
Crowley Company	Rivergrade Shell Station
Decore Ative Specialties	Semihandmade
Food Makers Bakery Equipment	Sigler
Gentle Carmen Auto	Spragues Rock & Sand
Hanson Aggregates West	Vulcan Materials
Holliday Rock	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$2,615,699	\$2,615,805
County Pool	365,037	374,254
State Pool	1,690	1,359
Gross Receipts	\$2,982,426	\$2,991,418

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

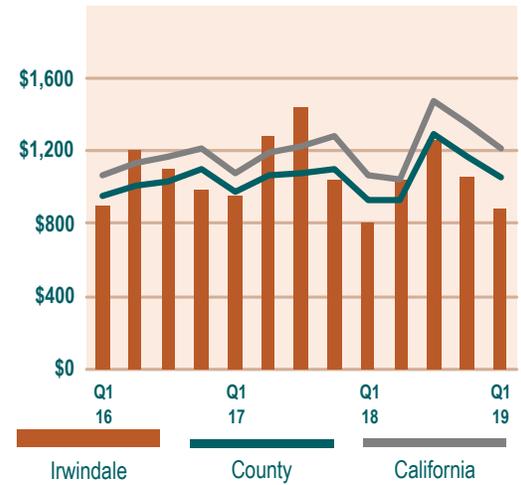
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

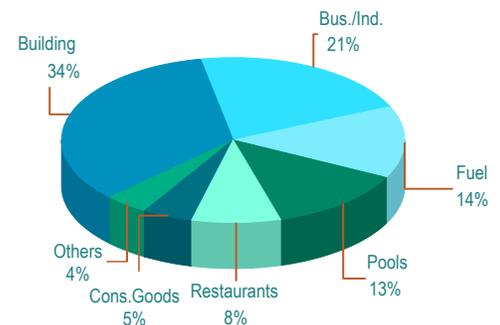
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER ACCOUNT



REVENUE BY BUSINESS GROUP
Irwindale This Quarter



IRWINDALE TOP 15 BUSINESS TYPES

Business Type	Irwindale		County	HdL State
	Q1 '19	Change	Change	Change
Building Materials	15,048	-6.7%	3.9%	4.0%
Contractors	265,062	-10.2%	9.1%	4.8%
Drugs/Chemicals	17,980	-68.4%	-1.9%	5.7%
Food Service Equip./Supplies	—	CONFIDENTIAL	12.4%	11.2%
Heavy Industrial	44,270	2.2%	22.1%	15.3%
Leisure/Entertainment	—	CONFIDENTIAL	21.9%	18.1%
Light Industrial/Printers	24,524	17.4%	17.6%	13.7%
Medical/Biotech	12,844	-9.1%	-5.8%	5.8%
Office Supplies/Furniture	—	CONFIDENTIAL	1.6%	-0.7%
Plumbing/Electrical Supplies	12,247	34.1%	6.9%	4.6%
Portrait Studios	—	CONFIDENTIAL	13.1%	22.4%
Quick-Service Restaurants	40,677	17.9%	8.3%	10.1%
Service Stations	120,076	14.2%	21.9%	15.7%
Textiles/Furnishings	15,113	15.3%	12.1%	15.6%
Used Automotive Dealers	12,896	-47.4%	14.1%	13.4%
Total All Accounts	742,850	15.1%	16.5%	13.5%
County & State Pool Allocation	111,651	28.1%	29.8%	23.8%
Gross Receipts	854,501	16.6%	18.1%	14.9%

Q2 2019



City of Irwindale Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Irwindale In Brief

Receipts from Irwindale during April through June were 8.6% higher than the same sales quarter last year. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Receipts were down 11.3% after factoring for these and other reporting anomalies.

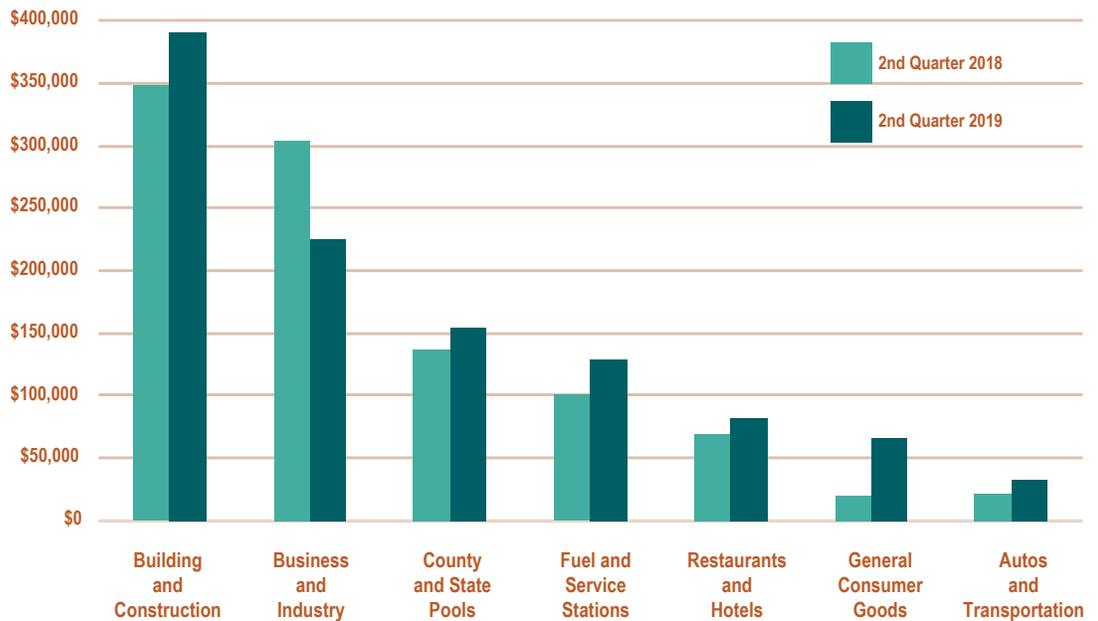
Previously missing make-up payments temporarily buoyed both general consumer goods and building-construction group revenues; on an adjusted basis, group returns were down 3.2% and 0.8% respectively.

Make-up payments along with higher fuel prices boosted service station results. A larger allocation from the countywide use tax pool was also a factor.

The gains were partially offset by business to business current quarter misallocation errors and year-ago onetime use tax receipts which depressed building-construction returns.

Net of aberrations, taxable receipts for all of Los Angeles County and the Southern California region grew 2.6% over the comparable time period.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACH Supply	Miller Brewing Company
Arco AM PM	OKK USA Corp.
Bartley Optical Sales	Patton Sales
Chem Arrow	RE Michel Company
Crowley Company	Ready Pac Produce
Decore Ative Specialties	Renaissance Pleasure Faire
Food Makers Bakery Equipment	Rivergrade Shell Station
Geary Pacific Supply	Semihandmade
Hanson Aggregates West	Sigler
Holliday Rock	Spragues Rock & Sand
L & L Building Materials	Vulcan Materials
Lifetouch National School Studios	Western Emulsions

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$3,479,217	\$3,549,159
County Pool	502,382	527,682
State Pool	2,017	1,767
Gross Receipts	\$3,983,617	\$4,078,608

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter in 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value-priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER ACCOUNT

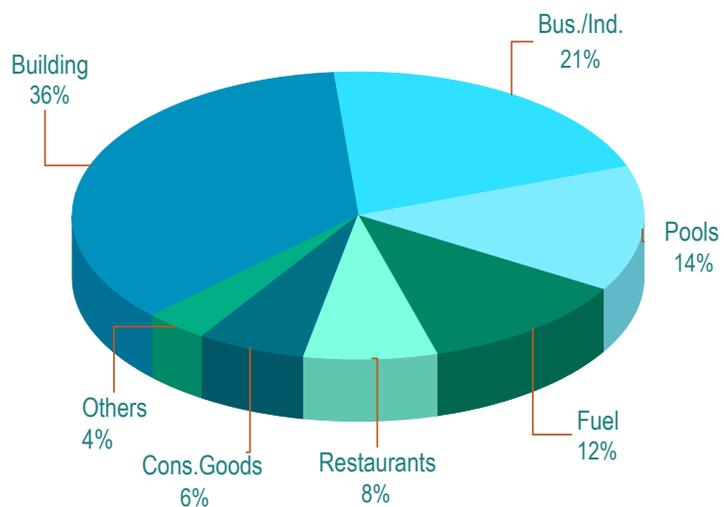


**COUNTY OVERALL
2Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-2.6%	1.9%
Building and Construction	36.5%	4.0%
Business and Industry	43.3%	-0.8%
Food and Drugs	11.7%	1.8%
Fuel and Service Stations	34.1%	-1.9%
General Consumer Goods	15.7%	-0.9%
Restaurants and Hotels	17.0%	2.5%
County and State Pools	22.4%	15.5%
Total	19.0%	2.6%

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Irwindale This Quarter**



Q3 2019



City of Irwindale Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

Irwindale In Brief

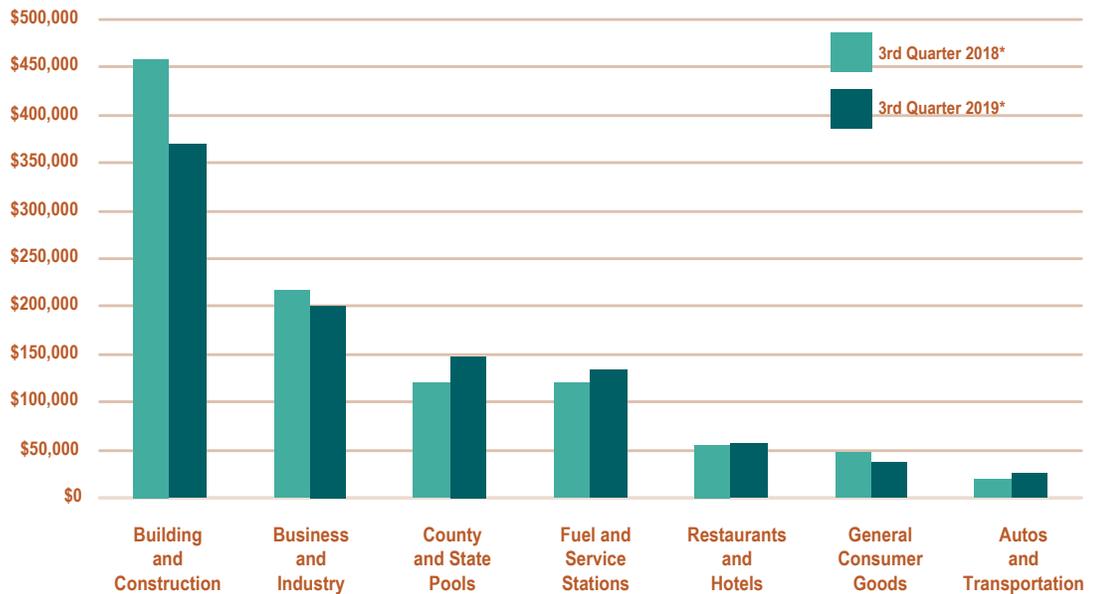
Irwindale's receipts from July through September were 6.7% below the third sales period in 2018.

The consolidation of operations for one contractor to another jurisdiction and lower material sales from multiple other contractors dragged down building and construction and were major factors in the decrease in actual sales. Ongoing misallocations from a drugs/chemical vendor that depressed business and industry and a 20.9% drop in general consumer goods sales also contributed to the overall decline.

The losses were partially offset by a 22.2% increase in the City's allocation from the countywide use tax pool and an 11.3% increase in service station sales. Higher quick service and casual dining results lifted the restaurant group's sales, while used auto sales boosted the automotive sector 21.1%.

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 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACH Supply	Holiday Rock
Applied Industrial Tech	Lifetouch National School Studios
Arco	McDonalds
Arco AM PM	Miller Coors-Irwindale Brewery
Bartley Optical Sales	Patton Sales
Chem Arrow	RE Michel Company
Crowley Company	Rivergrade Shell Station
Davis Wire	Semihandmade
Decore Ative Specialties	Sigler
Food Makers Bakery Equipment	Spragues Rock & Sand
Geary Pacific Supply	Vulcan Materials
Gentle Carmen Auto	Western Emulsions
Hanson Aggregates West	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$1,021,020	\$927,299
County Pool	138,586	155,029
State Pool	524	370
Gross Receipts	\$1,160,131	\$1,082,699

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

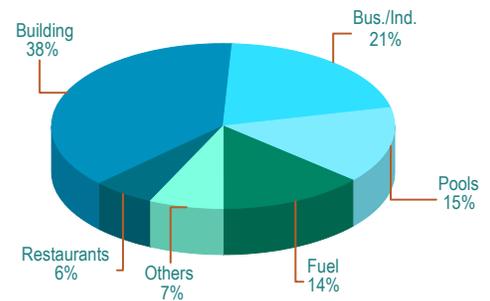
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Irwindale This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

IRWINDALE TOP 15 BUSINESS TYPES**

Business Type	Irwindale		County	HdL State
	Q3 '19	Change	Change	Change
Contractors	341,676	-20.4%	-3.6%	2.6%
Drugs/Chemicals	18,280	-64.4%	11.0%	3.9%
Fast-Casual Restaurants	10,622	1.6%	1.9%	5.1%
Food Service Equip./Supplies	36,003	76.8%	3.9%	6.1%
Garden/Agricultural Supplies	11,577	-2.7%	7.2%	4.3%
Heavy Industrial	55,963	11.2%	-7.3%	0.6%
Light Industrial/Printers	10,001	-37.9%	1.0%	2.2%
Medical/Biotech	14,309	13.3%	-9.1%	6.6%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-2.1%	-7.5%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-5.9%	4.4%
Portrait Studios	— CONFIDENTIAL —	—	-3.7%	-4.7%
Quick-Service Restaurants	39,896	4.4%	1.7%	2.6%
Service Stations	133,243	11.6%	-3.9%	-1.5%
Textiles/Furnishings	17,781	25.3%	4.5%	2.3%
Used Automotive Dealers	11,840	38.2%	-0.2%	2.1%
Total All Accounts	830,318	-9.9%	0.2%	0.3%
County & State Pool Allocation	146,795	22.0%	21.2%	14.9%
Gross Receipts	977,113	-6.2%	2.7%	2.3%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.

Q4 2019



City of Irwindale Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Irwindale In Brief

Irwindale's receipts from October through December were 2.0% below the fourth sales period in 2018. Excluding reporting aberrations, actual sales were down 0.3%.

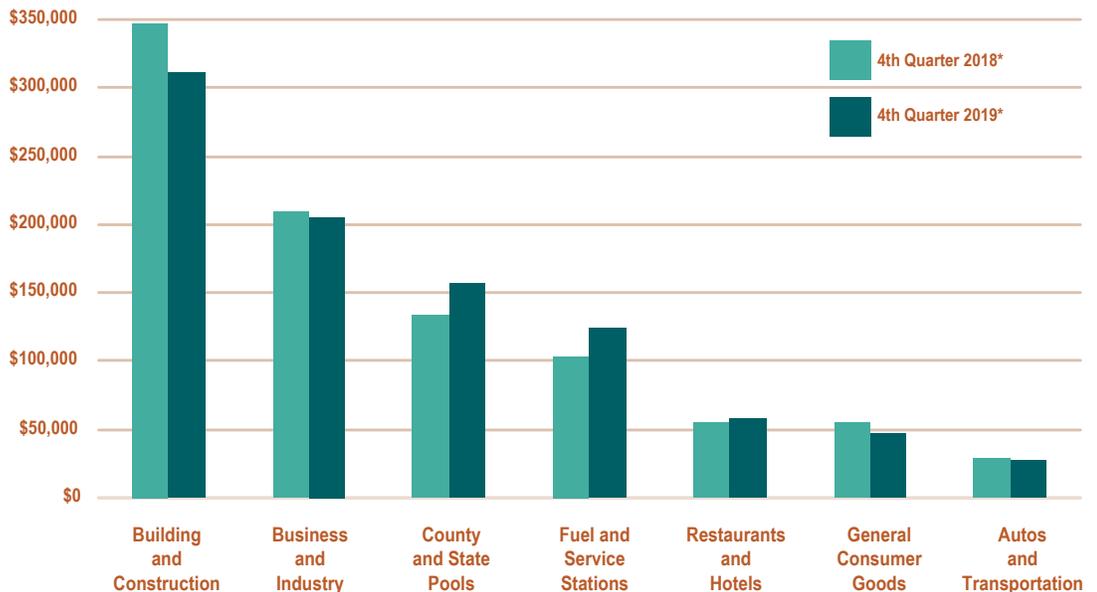
A business closure and subsidiary restructure resulted in a significant decrease in revenue from the building-construction group. General consumer goods reported a sluggish sales quarter. A misallocated payment caused a temporary drop in receipts from the business-industry sector.

Crude oil prices increased in the fourth quarter of 2019, with corresponding increases from fuel-service stations. New dining options helped to boost totals from restaurants-hotels.

The implementation of the Way-fair decision (AB147) has resulted in first-time taxpayers collecting and remitting local tax, which increased the City's share of the countywide use tax pool to 24.1% over the same period in the prior year.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.8% over the comparable time period; the Southern California region was up 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Industrial Tech	L & L Building Materials
Arco	Lifetouch National School Studios
Arco AM PM	McDonalds
Bartley Optical Sales	Miller Coors-Irwindale Brewery
Charter Furniture	Miura
Chem Arrow	Patton Sales
Crowley Company	Rivergrade Shell Station
Decore Active Specialties	Semihandmade
Food Makers Bakery Equipment	Sigler
G&I Islas Industries	Spragues Rock & Sand
Gentle Carmen Auto	Vulcan Materials
Hanson Aggregates West	Western Emulsions
Holiday Rock	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$1,872,955	\$1,729,838
County Pool	263,024	309,442
State Pool	939	770
Gross Receipts	\$2,136,917	\$2,040,050

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

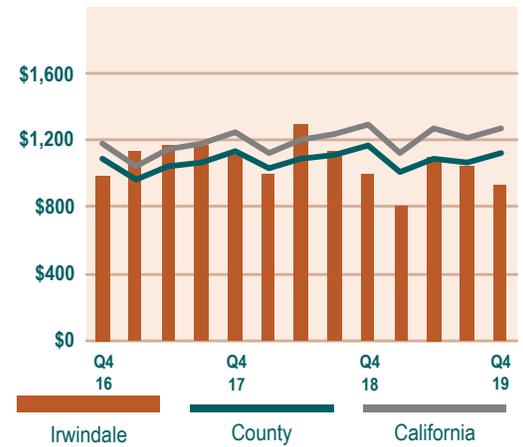
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

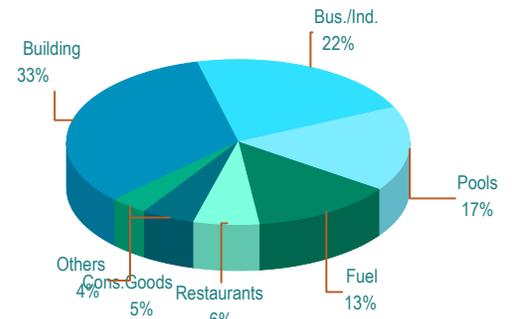
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER ACCOUNT



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Irwindale This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

IRWINDALE TOP 15 BUSINESS TYPES**

Business Type	Irwindale		County	HdL State
	Q4 '19	Change	Change	Change
Contractors	292,323	-8.5%	-4.4%	-4.4%
Drugs/Chemicals	16,037	-46.9%	-4.1%	-0.5%
Fast-Casual Restaurants	10,039	-0.8%	1.6%	4.3%
Food Service Equip./Supplies	41,647	89.8%	-3.7%	-2.0%
Garden/Agricultural Supplies	10,315	-17.9%	-0.9%	-0.3%
Heavy Industrial	39,412	-31.7%	-5.6%	-3.2%
Light Industrial/Printers	15,411	-11.1%	-8.7%	-7.4%
Medical/Biotech	13,579	7.2%	-4.0%	-0.9%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-10.7%	-8.1%
Plumbing/Electrical Supplies	10,867	-28.6%	4.7%	-0.6%
Portrait Studios	— CONFIDENTIAL —	—	-13.4%	-14.9%
Quick-Service Restaurants	39,813	2.7%	0.6%	1.9%
Service Stations	123,318	20.4%	-0.1%	0.2%
Textiles/Furnishings	30,039	76.9%	-13.5%	-8.8%
Used Automotive Dealers	14,790	9.4%	7.6%	4.6%
Total All Accounts	779,072	-3.4%	0.2%	0.2%
County & State Pool Allocation	157,038	18.1%	26.7%	26.7%
Gross Receipts	936,110	-0.3%	3.8%	4.2%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.