

Q1 2017



San Fernando Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

San Fernando In Brief

San Fernando's receipts from January through March were 7.4% above the first sales period in 2016. Excluding reporting aberrations, actual sales were up 4.7%.

Greater variety and creative new concepts improved consumer interest in eating out and therefore positively impacted returns from quick-service, fast casual and casual dining restaurants. Favorable winter weather conditions helped bolster activity from plumbing/electrical suppliers supporting building-construction growth.

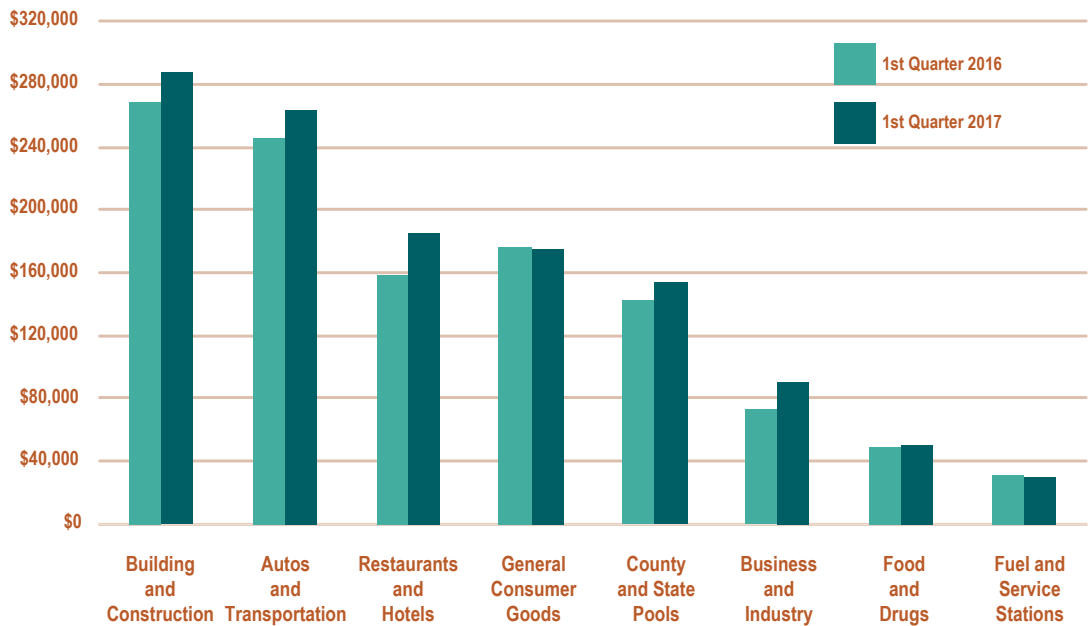
Solid receipts from repair shops/equipment rentals lifted business-industry, while negative payment anomalies in the prior year temporarily masked flat returns from the autos group.

These increases in local point of sale revenue and a rise in capital and online purchases shipped into the region boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

The City's voter-approved half-cent transaction tax, Measure A, generated an additional \$603,363, an increase of 8.7% over the prior year.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.1% over the comparable time period; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Nachos Ornamental
Arroyo Building Materials	Pool & Electrical Products
Casco	PRG
El Pollo Loco	Rydell Chrysler Dodge Jeep Ram
El Super	Sams Club
Enterprise Rent A Car	Smart & Final
Ferguson Enterprises	Southland Lighting
Ganas Auto	T Mobile
General Motors Acceptance	TMB Production Supplies & Services
Home Depot	Vallarta Supermarket
IHOP	Western Motor Sport
Jack in the Box	WSS
McDonald's	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$4,018,531	\$4,562,987
County Pool	540,310	649,045
State Pool	2,780	3,503
Gross Receipts	\$4,561,622	\$5,215,535
Less Triple Flip*	\$(852,664)	\$0
Measure A	\$2,234,697	\$2,442,237

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

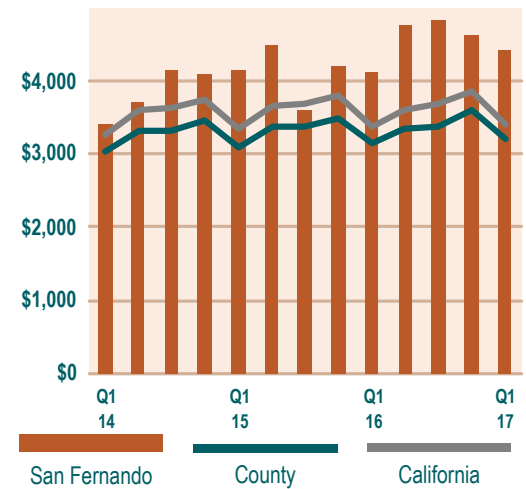
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

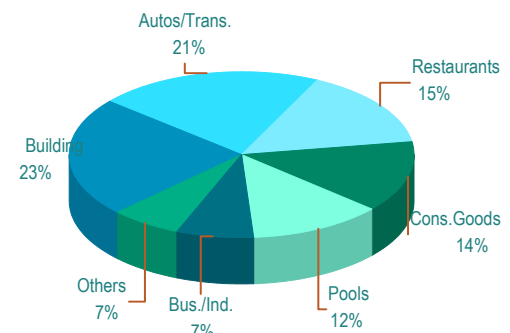
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
San Fernando This Quarter



SAN FERNANDO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	San Fernando Q1 '17*	Change	County Change	HdL State Change
Auto Repair Shops	17.1	-3.8%	3.8%	5.2%
Automotive Supply Stores	21.6	-9.9%	0.0%	0.0%
Building Materials	— CONFIDENTIAL —	—	7.2%	3.2%
Casual Dining	56.4	37.3%	0.6%	0.4%
Contractors	34.9	-5.7%	4.4%	-4.1%
Discount Dept Stores	— CONFIDENTIAL —	—	2.5%	1.6%
Electronics/Appliance Stores	24.3	-8.9%	0.1%	-0.3%
Fast-Casual Restaurants	16.1	23.3%	11.8%	9.0%
Grocery Stores	32.2	3.1%	1.2%	0.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	0.9%	4.4%
Plumbing/Electrical Supplies	51.2	16.4%	-1.7%	-1.5%
Quick-Service Restaurants	111.2	8.0%	4.9%	4.6%
Repair Shop/Equip. Rentals	31.3	141.2%	-9.0%	-6.1%
Service Stations	30.7	-1.3%	6.8%	9.9%
Used Automotive Dealers	— CONFIDENTIAL —	—	3.2%	1.9%
Total All Accounts	1,082.3	7.4%	2.6%	1.8%
County & State Pool Allocation	153.4	7.4%	2.6%	2.9%
Gross Receipts	1,235.7	7.4%	2.6%	1.9%