

Q3 2017



San Fernando Sales Tax *Update*

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

San Fernando In Brief

San Fernando's receipts from July through September were 0.9% above the third sales period in 2016.

The growth in building and construction was dampened by a one-time adjustment in contractors. Once all deviations were removed, the group as a whole was up 8.7%. Multiple reporting issues overstated returns in both restaurants and general retail. Nonetheless, a recent opening lifted the quick-service category.

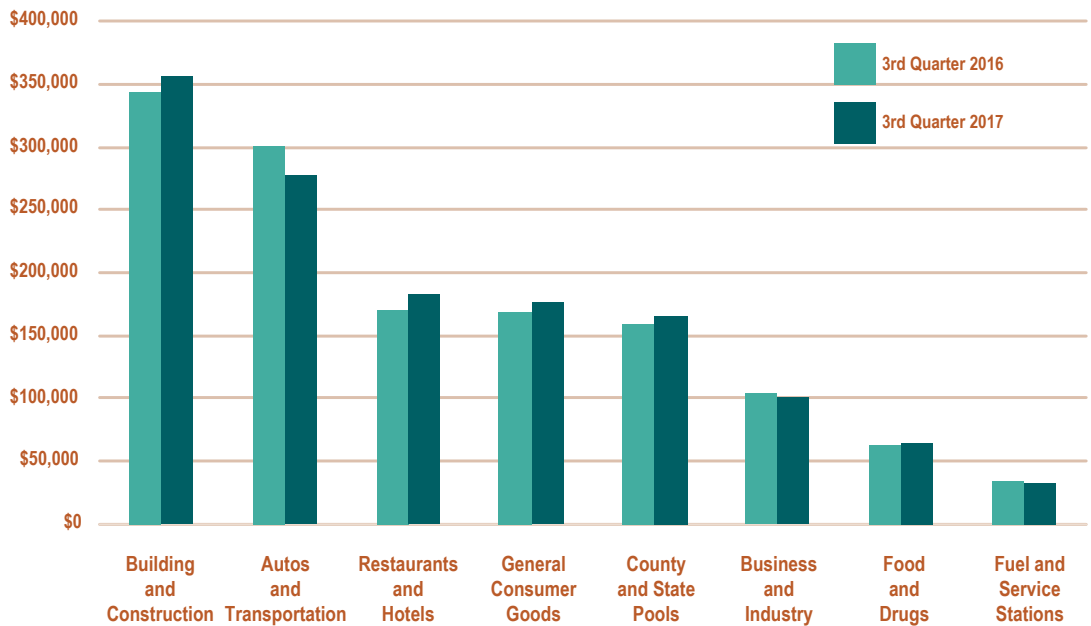
Revenues derived from the county-wide use tax allocation pool continue to increase reflecting consumer proclivity toward online shopping.

Auto-related performance receded while service station results were down contrary to higher fuel prices. Business to business sales activity slipped compared to a year ago.

Measure A, the City's voter-approved half cent transactions tax, generated an additional \$651,778.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.1% 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

Acey Decy Lighting	IHOP
Arco	McDonalds
Arroyo Building Materials	Nachos Ornamental
Casco	Pool & Electrical Products
El Pollo Loco	PRG
El Super	Rydell Chrysler Dodge Jeep Ram
Enterprise Rent A Car	Sams Club
Ferguson Enterprises	Smart & Final
Ganas Auto	T Mobile
General Motors Acceptance	TMB Production Supplies & Services
Goodman Distribution	Truman 76
Home Depot	Vallarta Supermarket
	WSS

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,349,436	\$2,369,043
County Pool	333,215	325,007
State Pool	815	315
Gross Receipts	\$2,683,467	\$2,694,364
Measure A	\$1,229,253	\$1,287,135

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.

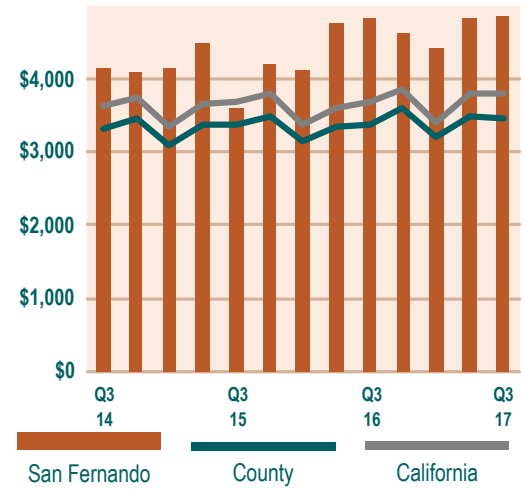
Sales Tax and Natural Disasters

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

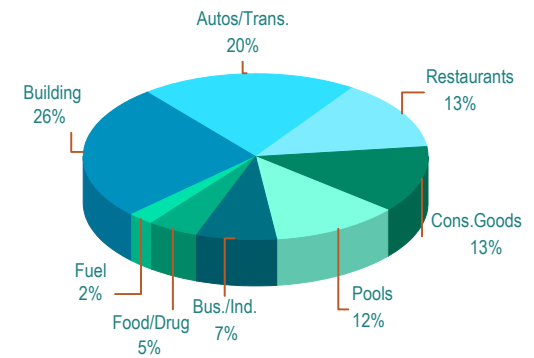
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five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



SAN FERNANDO TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	San Fernando Q3 '17*	San Fernando Change	County Change	HdL State Change
Automotive Supply Stores	28.6	6.2%	1.7%	3.7%
Building Materials	— CONFIDENTIAL —	—	3.3%	5.6%
Casual Dining	45.0	2.1%	3.2%	2.3%
Contractors	44.1	-13.6%	13.9%	6.5%
Discount Dept Stores	— CONFIDENTIAL —	—	6.3%	6.1%
Electronics/Appliance Stores	23.6	11.3%	-1.2%	0.3%
Fast-Casual Restaurants	16.5	13.1%	11.6%	8.6%
Grocery Stores	43.5	0.6%	0.3%	0.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-4.1%	0.9%
Plumbing/Electrical Supplies	72.6	12.9%	3.4%	4.6%
Quick-Service Restaurants	120.1	9.2%	3.7%	4.8%
Repair Shop/Equip. Rentals	31.3	-6.8%	-2.0%	7.8%
Service Stations	32.4	-7.0%	6.8%	9.2%
Shoe Stores	— CONFIDENTIAL —	—	-0.6%	-1.0%
Used Automotive Dealers	— CONFIDENTIAL —	—	4.5%	3.0%
Total All Accounts	1,190.0	0.5%	3.2%	4.1%
County & State Pool Allocation	164.9	3.9%	6.7%	4.8%
Gross Receipts	1,354.9	0.9%	3.6%	4.2%