

Q3 2018



San Fernando Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

San Fernando In Brief

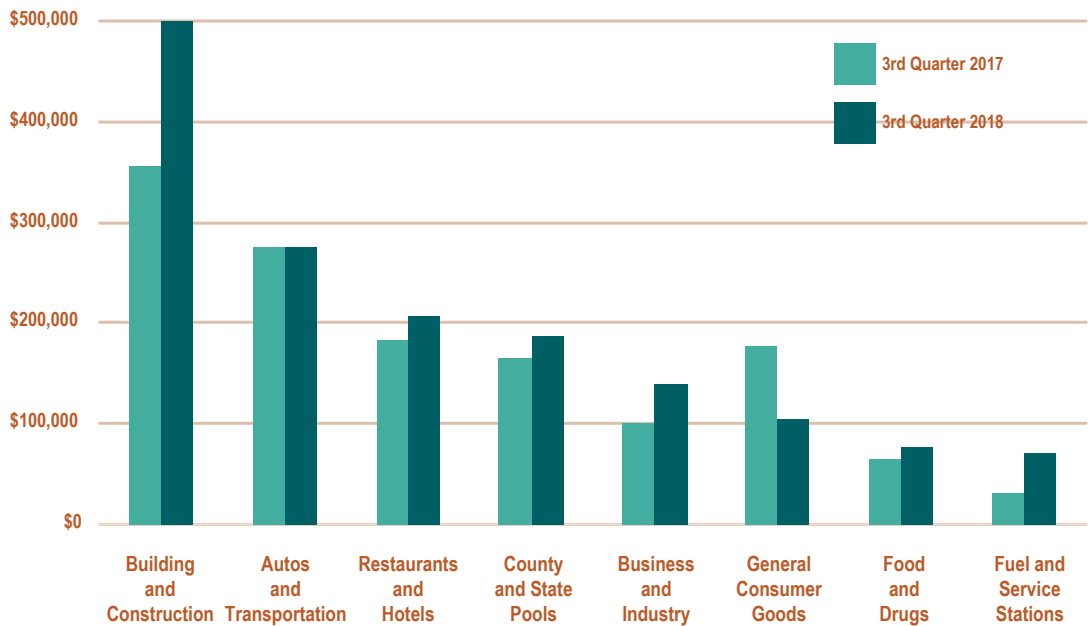
San Fernando's receipts from July through September were 15.1% above the third sales period in 2017 as a result of the City receiving a significant amount of delayed allocations that were not processed in 2Q18 due to the State's software conversion project. Excluding these allocations and other aberrations, actual sales were down 2.9%.

The loss of a major retailer contributed to a 48.3% decline in general consumer goods sales and was the major factor in the overall decrease in actual sales. Payment anomalies from multiple eateries lowered restaurant sales, offsetting receipts from a couple recently opened casual dining outlets. Lower returns from used auto dealers, repair shops and leasing companies depressed the automotive group sales.

The losses were partially offset by strong performance from building materials and contractors' supply sales, a 22.9% increase in service station receipts due to higher retail gas prices and a 13.6% increase in the City's allocation from the countywide use tax pool. A new store helped boost food and drugs.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.0% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ally Financial	McDonald's
Arco	Nachos Ornamental Supply
Arroyo Building Materials	Pool & Electrical Products
Casco	Royalty Distribution
El Pollo Loco	Rydell Chrysler Dodge Jeep Ram
El Super	Smart & Final
Enterprise Rent A Car	Southland Lighting
Ferguson Enterprises	T Mobile
Goodman Distribution	TMB Production Supplies & Services
Haimetal Duct	Truman 76
Home Depot	Vallarta Supermarket
IHOP	WSS
Malbros Ready Mix Concrete	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$1,189,972	\$1,371,989
County Pool	163,951	186,224
State Pool	931	704
Gross Receipts	\$1,354,854	\$1,558,917
Measure A	\$651,778	\$777,044

California Overall

The CDTEFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

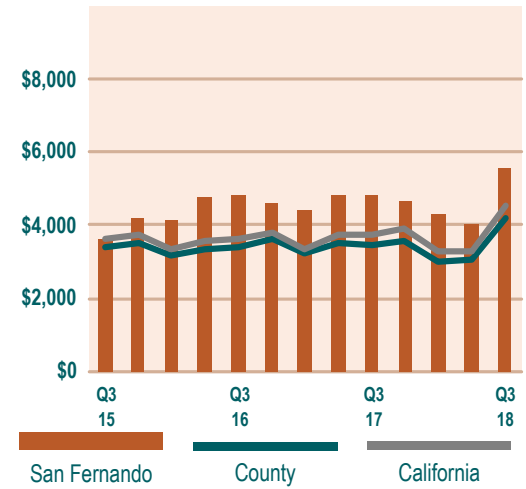
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

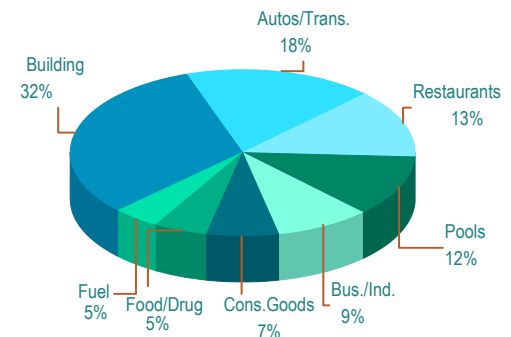
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

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 Q3 '18*	San Fernando Change	County Change	HdL State Change
Automotive Supply Stores	28.0	-0.9%	7.7%	8.4%
Building Materials	— CONFIDENTIAL —	—	36.2%	29.8%
Casual Dining	52.0	9.1%	16.0%	14.8%
Contractors	77.7	76.0%	44.3%	37.7%
Electrical Equipment	— CONFIDENTIAL —	—	39.6%	36.5%
Electronics/Appliance Stores	28.3	19.9%	9.9%	12.4%
Grocery Stores	45.7	5.0%	22.4%	16.1%
Heavy Industrial	19.7	114.0%	38.9%	30.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	12.1%	12.7%
Plumbing/Electrical Supplies	81.3	12.0%	11.9%	15.8%
Quick-Service Restaurants	134.0	11.6%	11.6%	13.4%
Repair Shop/Equip. Rentals	26.5	-15.2%	41.3%	36.1%
Service Stations	71.2	119.7%	43.8%	43.1%
Shoe Stores	— CONFIDENTIAL —	—	6.7%	5.5%
Used Automotive Dealers	21.1	-11.7%	50.2%	46.9%
Total All Accounts	1,372.0	15.3%	21.7%	21.8%
County & State Pool Allocation	186.9	13.4%	19.7%	27.8%
Gross Receipts	1,558.9	15.1%	21.5%	22.6%