

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

San Fernando In Brief

San Fernando's receipts from April through June were flat compared to the second sales period in 2016. Excluding reporting aberrations, actual sales were up 2.7%.

The City experienced a strong sales quarter for the building and construction sector and quick-service restaurants. A recent addition helped boost revenues from casual dining restaurants.

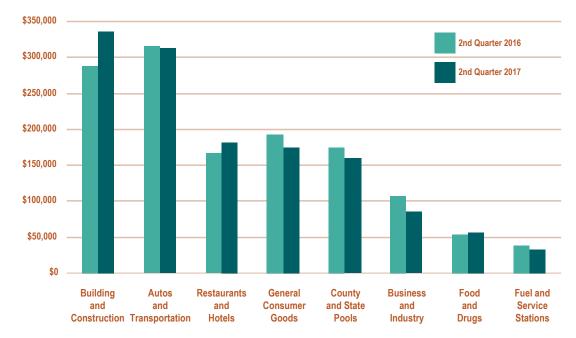
The gains were offset by a decline in sales from the business-industry and autos-transportation sectors. Onetime accounting adjustments that inflated year-ago returns exaggerated the drop in electronics/appliance stores.

A decrease in the county use tax pool allocation this quarter was primarily due to a onetime adjustment that inflated results in the year ago period.

The City's Measure A half-cent transaction tax generated an additional \$635,357 for the quarter, an increase of 3.6% over the same period one year ago.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



Top 25 Producers

In Alphabetical Order

IHOP

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

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,165,236	\$1,179,071
County Pool	174,914	161,055
State Pool	409	(617)
Gross Receipts	\$1,340,559	\$1,339,510
Less Triple Flip*	\$0	\$0
Measure A	\$613,243	\$635,357



California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

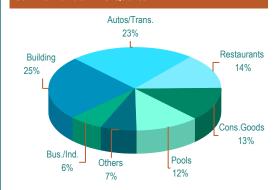
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP San Fernando This Quarter



SAN FERNANDO TOP 15 BUSINESS TYPES *In thousands of dollars San Fernando County **HdL State Business Type** Q2 '17* Change Change Change - CONFIDENTIAL -**Auto Lease** 12.9% 15.5% **Automotive Supply Stores** 25.8 -8.4% 0.3% 2.8% **Building Materials** - CONFIDENTIAL -6.2% 6.0% 14.4% 2.7% **Casual Dining** 48.2 1.9% 4.5% 8.3% 9.7% Contractors 40.3 **Discount Dept Stores** - CONFIDENTIAL -3.3% 3.2% - CONFIDENTIAL -**Electrical Equipment** 12.9% 3.3% Electronics/Appliance Stores 25.2 -45.6% 0.4% 0.3% **Grocery Stores** 35.4 -0.1% 2.0% 2.1% — CONFIDENTIAL — **New Motor Vehicle Dealers** 2.7% 1.4% Plumbing/Electrical Supplies 72.9 30.6% 4.9% 3.7% **Quick-Service Restaurants** 116.4 6.2% 5.6% 5.9% Repair Shop/Equip. Rentals -44.2% -5.0% 3.6% 18.5 Service Stations -6.9% 33.4 9.5% 8.6% **Used Automotive Dealers** -30.3% 4.2% 2.6% 17.1 1.2% 4.8% 6.4% **Total All Accounts** 1,179.1 County & State Pool Allocation -8.5% -9.9% 160.4 -5.2% 1,339.5 -0.1% 3.5% **Gross Receipts** 4.1%