

Q2

2013



San Fernando Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2013)

San Fernando In Brief

Receipts for San Fernando's April through June sales were 1.0% lower than the same quarter one year ago. Actual sales activity was up 4.1% when reporting aberrations were factored out.

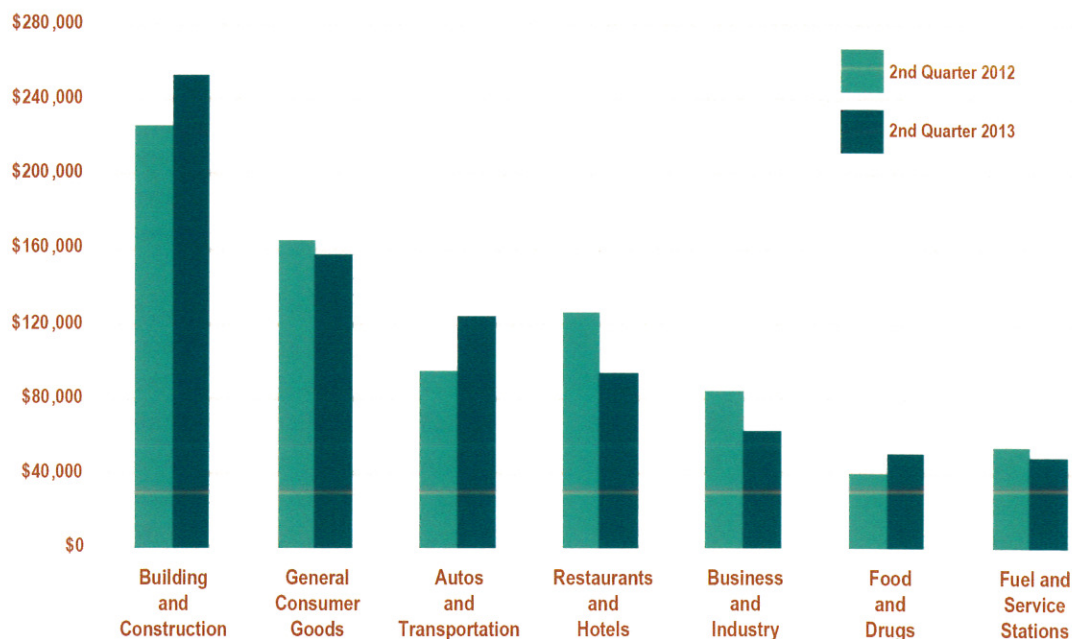
A retroactive adjustment to correct a prior error in restaurants with no alcohol accounted for the drop in the restaurant and hotel group. Revenues increased 7.9% once this one-time event and all anomalies were removed.

The rise from a new enterprise in business and industry was offset by multiple payment deviations. Store closeouts depressed revenues in general retail. Nonetheless, recent openings boosted electronics/appliance stores and specialty stores. A new store also benefited food and drugs. Lower fuel prices negatively impacted returns in fuel and service stations.

Gains in building-related sectors surpassed both regional and state-wide trends while allocation errors caused the increase in autos and transportation.

Aadjusted for aberrations, taxable sales for all of Los Angeles County increased 3.7% over the comparable time period, while the Southern California region as a whole was up 5.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Acey Decy Lighting	McDonalds
Arco	Nachos Ornamental Supply
Arroyo Building Materials	Pep Boys
Casco	Pool & Electrical Products
El Pollo Loco	Sams Club
El Super	Southland Lighting
Enterprise Rent A Car	T Mobile
Food 4 Less	Taco Bell
Global HVAC Distributors	TMB Production Supplies & Services
Goodman Distribution	Truman 76
Home Depot	Vallarta Supermarket
IHOP	Warehouse Shoe Sale
Jack in the Box	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$789,192	\$790,579
County Pool	92,948	82,668
State Pool	791	543
Gross Receipts	\$882,931	\$873,791
Less Triple Flip*	\$(220,733)	\$(218,448)

**Reimbursed from county compensation fund*

State Overall

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

The Remaining Fiscal Year

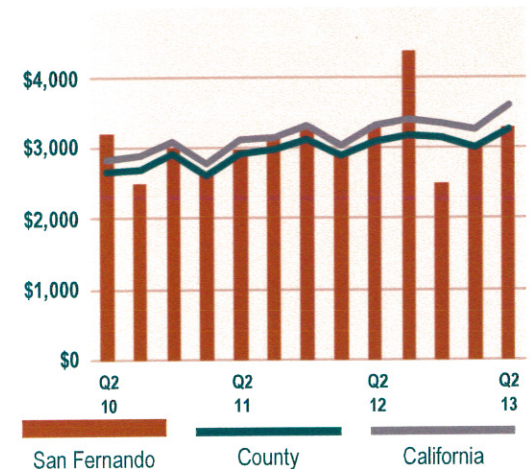
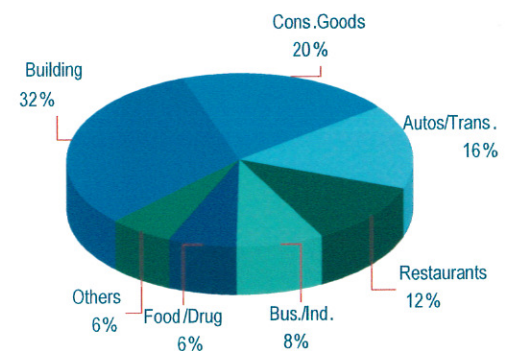
The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

ary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

SALES PER CAPITA**REVENUE BY BUSINESS GROUP**
San Fernando This Quarter**SAN FERNANDO TOP 15 BUSINESS TYPES**

Business Type	San Fernando		County	HdL State
	Q2 '13	Change	Change	Change
Auto Lease	44,356	28.2%	17.7%	13.4%
Auto Repair Shops	15,423	-2.7%	7.4%	5.1%
Automotive Supply Stores	28,676	12.2%	4.0%	3.3%
Contractors	51,091	15.8%	9.2%	5.4%
Discount Dept Stores	— CONFIDENTIAL —		2.5%	2.3%
Electrical Equipment	24,135	587.5%	41.1%	8.2%
Electronics/Appliance Stores	17,053	86.0%	4.4%	4.7%
Grocery Stores Liquor	40,040	45.3%	4.1%	2.6%
Lumber/Building Materials	170,409	8.0%	-7.2%	-4.4%
New Motor Vehicle Dealers	27,115	na	6.8%	11.1%
Plumbing/Electrical Supplies	31,964	30.5%	24.3%	22.7%
Repair Shop/Equip. Rentals	14,159	-13.7%	-0.4%	8.7%
Restaurants No Alcohol	79,550	-29.2%	5.7%	5.9%
Service Stations	47,948	-9.0%	-5.8%	-5.7%
Shoe Stores	12,493	0.4%	40.4%	39.9%
Total All Accounts	\$790,579	0.2%	6.4%	7.0%
County & State Pool Allocation	83,212	-11.2%		
Gross Receipts	\$873,791	-1.0%		