

# Q4 2014



# San Fernando Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

## San Fernando In Brief

San Fernando's allocation of sales and use tax revenues from its October through December sales was 14.1% higher than the same quarter one year ago.

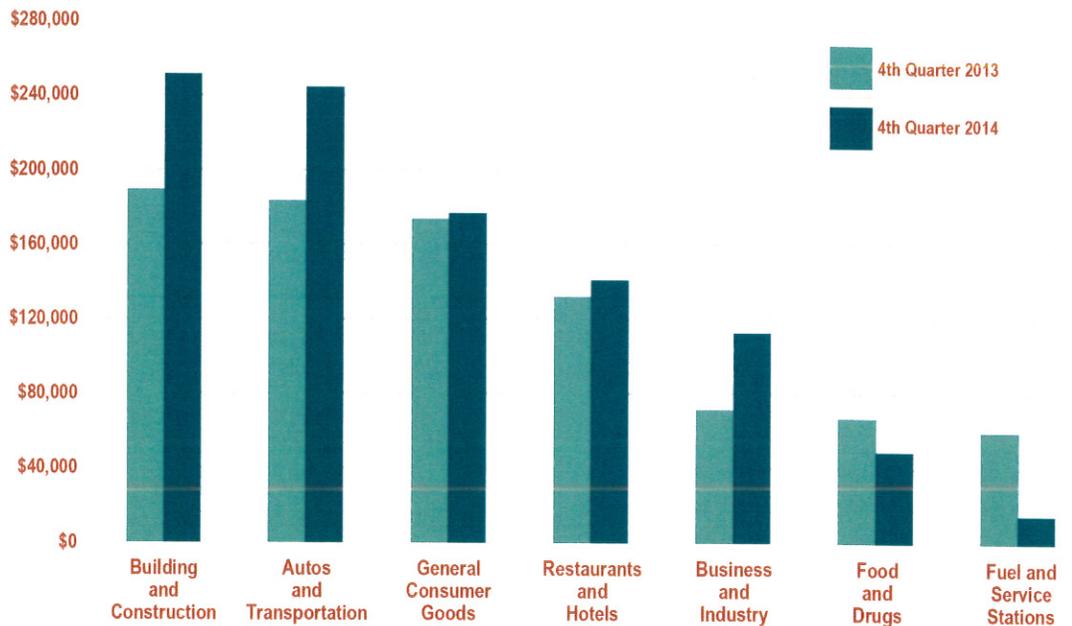
The allocation was skewed by a series of accounting anomalies that inflated the building/construction group while deflating comparisons of the food/drugs and fuel/service station segments. Actual sales activity was up 16.0% when these and other reporting aberrations were factored out.

The gains in actual sales were due primarily to a solid quarter for autos, restaurants and plumbing-electrical equipment supplies plus recent additions to the repair/equipment rental category. A rise in receipts from the countywide use tax allocation pool was also a factor.

The city's voter approved Measure "A" added \$499,148 to the amounts discussed above. The gains in this group were primarily from auto sales and purchases of business equipment and supplies.

Adjusted for aberrations, sales and use tax receipts for all of Los Angeles County increased 5.0% over the comparable time period while Southern California as a whole was up 4.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Acey Decy Lighting	Pool & Electrical Products
Arco	PRG
Arroyo Building Materials	Rydell Chrysler Dodge Jeep Ram
Casco	Sams Club
El Pollo Loco	Smart & Final
El Super	Southland Lighting
Global HVAC Distributors	T Mobile
Home Depot	TMB Production Supplies & Services
Honda Lease Trust	Truman 76
Jack in the Box	Vallarta Supermarket
Key Technology	Western Motor Sport
McDonalds	WSS
Nachos Ornamental Supply	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
<b>Point-of-Sale</b>	\$2,621,679	\$2,895,420
<b>County Pool</b>	308,700	358,316
<b>State Pool</b>	1,513	2,463
<b>Gross Receipts</b>	\$2,931,891	\$3,256,198
<b>Less Triple Flip*</b>	\$(732,973)	\$(814,050)
	\$437,642	\$1,560,251

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**Holiday Quarter Up**

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

**Gasoline Supply and Demand**

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

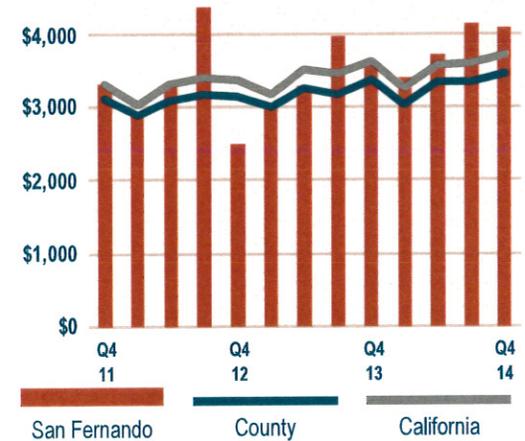
**Triple Flip Unwind**

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

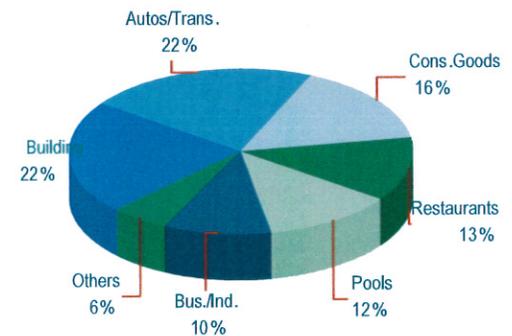
The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
San Fernando This Quarter



**SAN FERNANDO TOP 15 BUSINESS TYPES**

Business Type	San Fernando		County	HdL State
	Q4 '14	Change	Change	Change
Auto Lease	—	CONFIDENTIAL	2.1%	-0.4%
Auto Repair Shops	16,620	19.5%	9.2%	5.9%
Automotive Supply Stores	23,602	-7.6%	4.3%	2.0%
Casual Dining	30,015	5.7%	4.8%	5.7%
Contractors	45,986	3.9%	6.6%	9.1%
Discount Dept Stores	—	CONFIDENTIAL	1.3%	0.8%
Electronics/Appliance Stores	18,027	-2.3%	8.8%	3.2%
Grocery Stores Liquor	32,386	-42.6%	0.1%	3.6%
Lumber/Building Materials	—	CONFIDENTIAL	3.7%	-0.8%
New Motor Vehicle Dealers	—	CONFIDENTIAL	7.2%	7.6%
Plumbing/Electrical Supplies	33,411	47.6%	14.1%	7.0%
Quick-Service Restaurants	106,103	5.2%	8.4%	7.5%
Repair Shop/Equip. Rentals	46,771	259.4%	-4.4%	-4.0%
Service Stations	14,767	-75.2%	-13.9%	-10.5%
Shoe Stores	—	CONFIDENTIAL	8.4%	7.6%
<b>Total All Accounts</b>	<b>\$988,926</b>	<b>13.1%</b>	<b>4.1%</b>	<b>3.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$136,917</b>	<b>22.4%</b>	<b>12.7%</b>	<b>4.7%</b>
<b>Gross Receipts</b>	<b>\$1,125,843</b>	<b>14.1%</b>	<b>5.1%</b>	<b>3.9%</b>