Q1 2015

San Fernando Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

San Fernando In Brief

Receipts for San Fernando's January through March sales were 23.7% higher than the same quarter one year ago. Actual sales activity was up 15.9% when reporting aberrations were factored out.

A deduction that reduced year-ago returns overstated the increase in autos and transportation. Nonetheless, this sector outperformed regional and statewide trends. Outstanding performance in plumbing/electrical supplies boosted building-related receipts while the rise from new stores in food and drugs was overstated by a late payment in the comparison period.

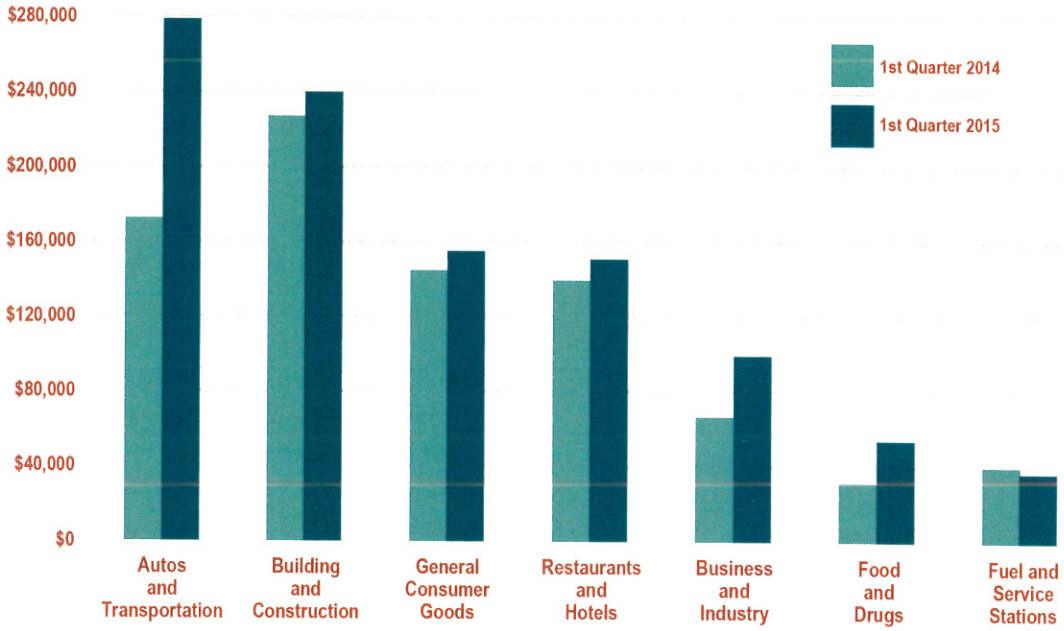
Recent openings in repair shop/equipment rentals, home furnishings and electronics boosted proceeds in business and industry and general retail.

Lower fuel prices depressed sales in service stations.

Payment deviations inflated receipts from the city's voter-approved transactions tax, Measure A. Once these onetime events were removed, revenues increased 5.4%.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 3.0% over the comparable time period, while the Southern California region as a whole was up 3.2%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- Araca Merchandise
- Arco
- Arroyo Building Materials
- Casco
- El Pollo Loco
- El Super
- Ferguson Enterprises
- Home Depot
- Honda Lease Trust
- IHOP
- Jack in the Box
- McDonalds
- Nachos Ornamental Supply
- Payless Foods
- Pool & Electrical Products
- PRG
- Rydell Chrysler Dodge Jeep Ram
- Sams Club
- Smart & Final
- Southland Lighting
- T Mobile
- TMB Production Supplies & Services
- Vallarta Supermarket
- Western Motor Sport
- WSS

Revenue Comparison

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	$3,444,133	$3,909,322
County Pool	411,596	489,681
State Pool	2,282	2,483
Gross Receipts	**$3,858,011**	**$4,401,485**
Less Triple Flip*	$(964,503)	$(1,100,371)
	$905,272	$2,080,556

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NOTES

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over $122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 ½% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and more competitive while providing greater flexibility in the development of local tax bases.

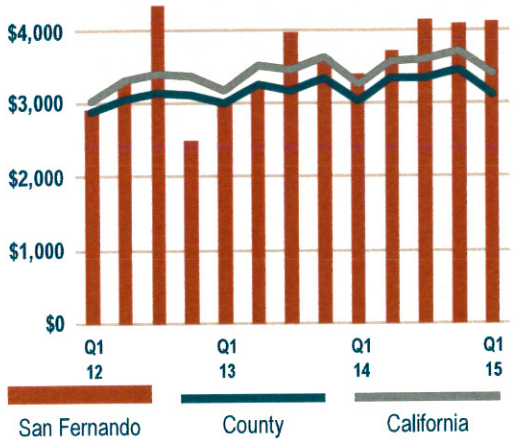
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

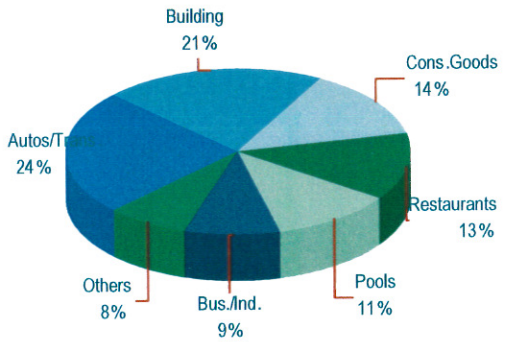
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

Sales Per Capita



Revenue by Business Group

San Fernando This Quarter



San Fernando Top 15 Business Types

In thousands	San Fernando		County	HdL State
Business Type	**Q1 '15***	**Change**	**Change**	**Change**
Auto Lease	— CONFIDENTIAL —		18.3%	21.5%
Auto Repair Shops	14.5	-4.1%	6.8%	7.0%
Automotive Supply Stores	28.1	-8.7%	3.6%	5.2%
Casual Dining	35.9	31.3%	5.8%	5.8%
Contractors	33.2	4.5%	10.9%	14.9%
Discount Dept Stores	— CONFIDENTIAL —		4.3%	4.2%
Electrical Equipment	14.9	17.5%	-26.4%	-2.7%
Electronics/Appliance Stores	18.0	17.9%	-6.1%	-0.4%
Grocery Stores Liquor	38.2	81.5%	6.3%	5.0%
Lumber/Building Materials	— CONFIDENTIAL —		-3.6%	-2.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —		8.4%	11.1%
Plumbing/Electrical Supplies	39.0	20.8%	5.7%	7.0%
Quick-Service Restaurants	106.0	-0.2%	9.7%	10.5%
Repair Shop/Equip. Rentals	29.1	162.4%	-6.1%	1.1%
Service Stations	35.8	-9.1%	-21.8%	-21.9%
Total All Accounts	**$1,013.9**	**23.3%**	**3.0%**	**3.6%**
County & State Pool Allocation	**$131.4**	**26.7%**	**5.9%**	**1.1%**
Gross Receipts	**$1,145.3**	**23.7%**	**3.3%**	**3.3%**