

Q2 2015



San Fernando Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

San Fernando In Brief

San Fernando's receipts from April through June were 23.3% above the second sales period in 2014. However, a large negative allocation in the prior year to correct a reporting error inflated the results. Excluding reporting aberrations, actual sales were up 15.2%.

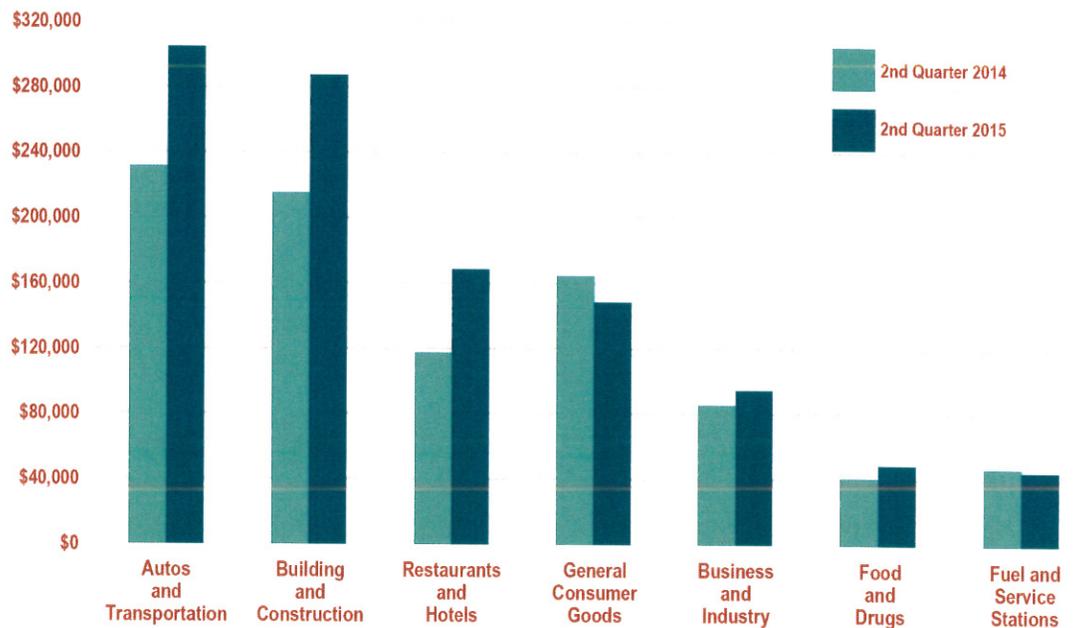
Stellar returns from multiple auto-transportation merchants accounted for 46% of the overall adjusted growth and contributed to a 37% increase in the countywide use tax pool allocation. Retroactive accounting adjustments temporarily exaggerated already strong results from quick service, casual & fast-casual restaurants.

The gains were partially offset by sluggish results from general consumer goods retailers negatively impacted by increased purchases made online rather than in-store. Also, for the third straight quarter, weak global demand for crude oil caused lower gas prices and thereby a decline in service station revenue.

The city's voter-approved transaction tax, Measure "A", generated an additional \$558,209, a 4.0% increase over the prior year.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.6% over the comparable time period; the Southern California region was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Araca Merchandise	Pep Boys
Arco	Pool & Electrical Products
Arroyo Building Materials	PRG
Casco	Rydell Chrysler Dodge Jeep Ram
El Pollo Loco	Sams Club
El Super	Smart & Final
Ferguson Enterprises	Southland Lighting
Ganas Auto	TMB Production Supplies & Services
Home Depot	Truman 76
Honda Lease Trust	Vallarta Supermarket
IHOP	Western Motor Sport
McDonalds	WSS
Nachos Ornamental	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$901,756	\$1,096,423
County Pool	103,474	142,613
State Pool	683	923
Gross Receipts	\$1,005,914	\$1,239,959
Less Triple Flip*	\$(251,478)	\$(309,990)
	\$536,947	\$558,209

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

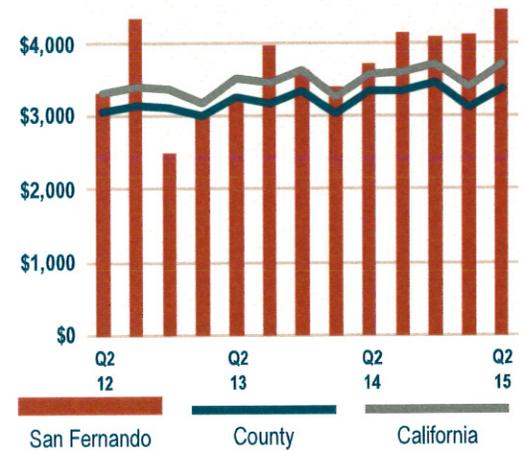
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

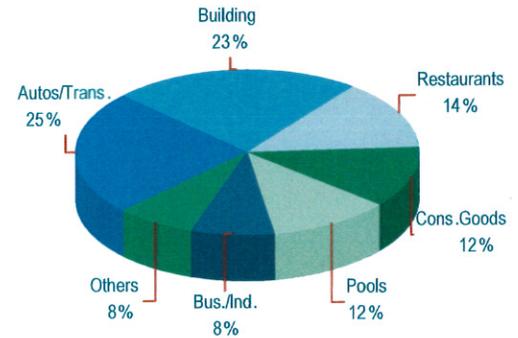
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

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 Q2 '15*	Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —	—	25.6%	28.4%
Auto Repair Shops	15.2	-12.9%	6.7%	7.2%
Automotive Supply Stores	30.5	15.0%	9.1%	5.5%
Casual Dining	44.3	85.6%	6.1%	6.3%
Contractors	38.9	10.4%	9.9%	8.5%
Discount Dept Stores	— CONFIDENTIAL —	—	0.0%	0.0%
Fast-Casual Restaurants	16.6	240.7%	10.0%	9.8%
Grocery Stores Liquor	32.4	10.9%	2.6%	3.5%
Lumber/Building Materials	— CONFIDENTIAL —	—	2.5%	4.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	10.4%	9.2%
Plumbing/Electrical Supplies	54.0	4.5%	-2.0%	5.8%
Quick-Service Restaurants	105.0	21.0%	8.0%	9.1%
Repair Shop/Equip. Rentals	29.7	234.7%	8.4%	24.0%
Service Stations	42.1	-9.2%	-15.7%	-11.7%
Used Automotive Dealers	— CONFIDENTIAL —	—	12.8%	14.7%
Total All Accounts	1,096.4	21.6%	1.8%	2.8%
County & State Pool Allocation	143.5	37.8%	15.4%	11.8%
Gross Receipts	1,240.0	23.3%	3.2%	3.8%