

Q1 2018



San Fernando Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

San Fernando In Brief

San Fernando's receipts from January through March were 3.2% below the first sales period in 2017. However, due to CDTFA's transition to a new taxpayer reporting system, multiple remittances were not processed in the current period but are anticipated to be received with the next quarterly allocations. Including these expected remittances and other reporting aberrations, actual sales were up 2.2%.

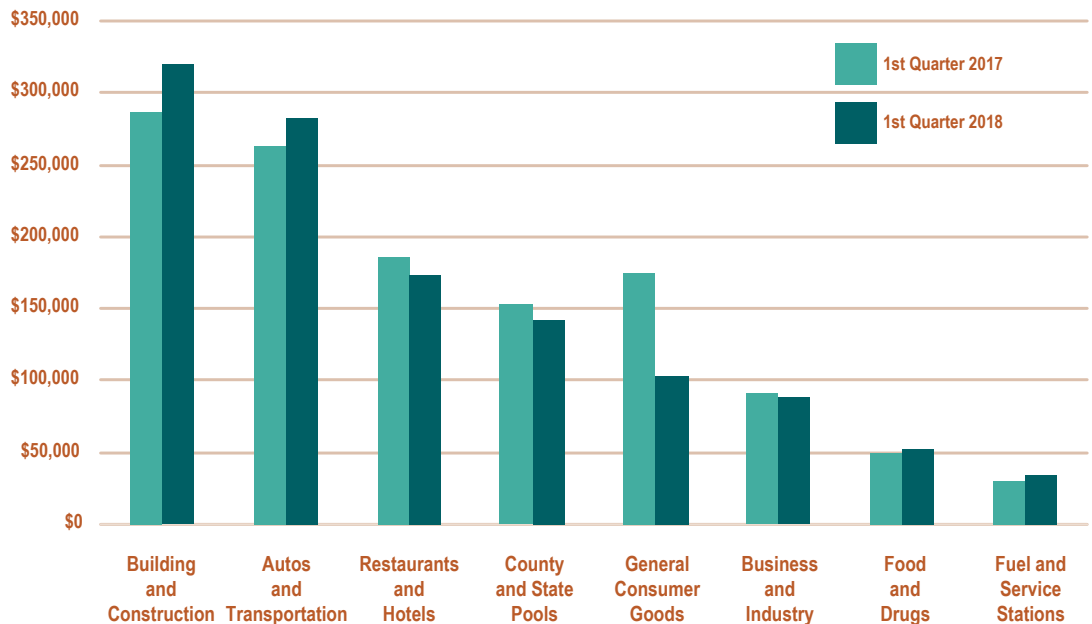
Once adjusted, strong sales by plumbing/electrical and contractor suppliers combined with the current stable housing market contributed to produce dramatic growth from building-construction. Steady price increases at the pump, mostly due to the global cost of crude oil and the implementation of SB-1 locally, pushed service stations higher.

The recent closeout of a retailer and sluggish sales of home furnishings hurt general consumer goods, partially offsetting the gains.

The City's voter approved half-cent transaction tax, Measure A, generated an additional \$579,533, a decrease of 3.9%, largely due to the temporary reporting issues and store closure stated above.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.4% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Murphy & Shelby Dodge
Arroyo Building Materials	Nachos Ornamental
Cal Grove Rentals	Pool & Electrical Products
Casco	Rydell Chrysler Dodge Jeep Ram
CCAP Auto Lease	Sams Club
Crazy Goody	Smart & Final
El Pollo Loco	Southland Lighting
El Super	TMB Production Supplies & Services
Ferguson Enterprises	Truman 76
Ganas Auto	Vallarta Supermarket
Home Depot	Western Motor Sport
IHOP	WSS
McDonalds	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$4,562,987	\$4,571,638
County Pool	649,045	634,344
State Pool	3,503	1,556
Gross Receipts	\$5,215,535	\$5,207,538
Measure A	\$2,442,237	\$2,580,874

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

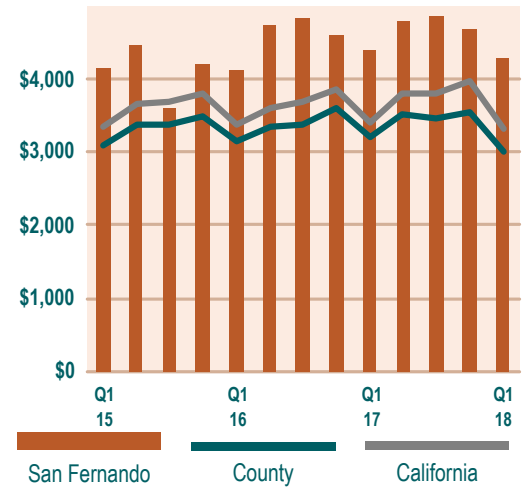
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

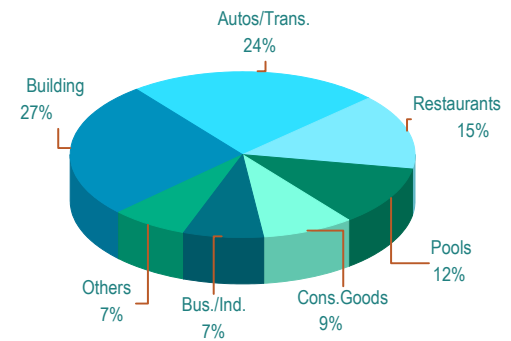
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

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 Q1 '18*	San Fernando Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —	—	-101.2%	-99.1%
Automotive Supply Stores	25.4	7.2%	-8.3%	-4.0%
Building Materials	— CONFIDENTIAL —	—	-3.0%	3.8%
Casual Dining	52.2	-7.3%	-1.1%	-2.0%
Contractors	36.5	4.8%	7.7%	21.5%
Discount Dept Stores	— CONFIDENTIAL —	—	2.7%	2.8%
Fast-Casual Restaurants	21.2	29.4%	6.8%	6.8%
Grocery Stores	31.1	-3.2%	8.9%	1.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-1.2%	-0.2%
Plumbing/Electrical Supplies	60.3	17.7%	10.1%	11.6%
Quick-Service Restaurants	98.8	-11.1%	-4.1%	-3.8%
Repair Shop/Equip. Rentals	26.6	-14.8%	-1.2%	-3.8%
Service Stations	34.5	12.1%	-3.8%	4.6%
Shoe Stores	— CONFIDENTIAL —	—	-3.9%	0.2%
Used Automotive Dealers	29.9	12.3%	-8.6%	-4.3%
Total All Accounts	1,053.7	-2.6%	-5.9%	-1.8%
County & State Pool Allocation	142.3	-7.3%	-10.3%	-2.1%
Gross Receipts	1,196.0	-3.2%	-6.4%	-1.8%