

Q1 2019



San Fernando Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

San Fernando In Brief

San Fernando's receipts from January through March were 6.7% above the first sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily left multiple returns unprocessed. After including the prior remittances and other reporting aberrations, actual sales were down 3.8%.

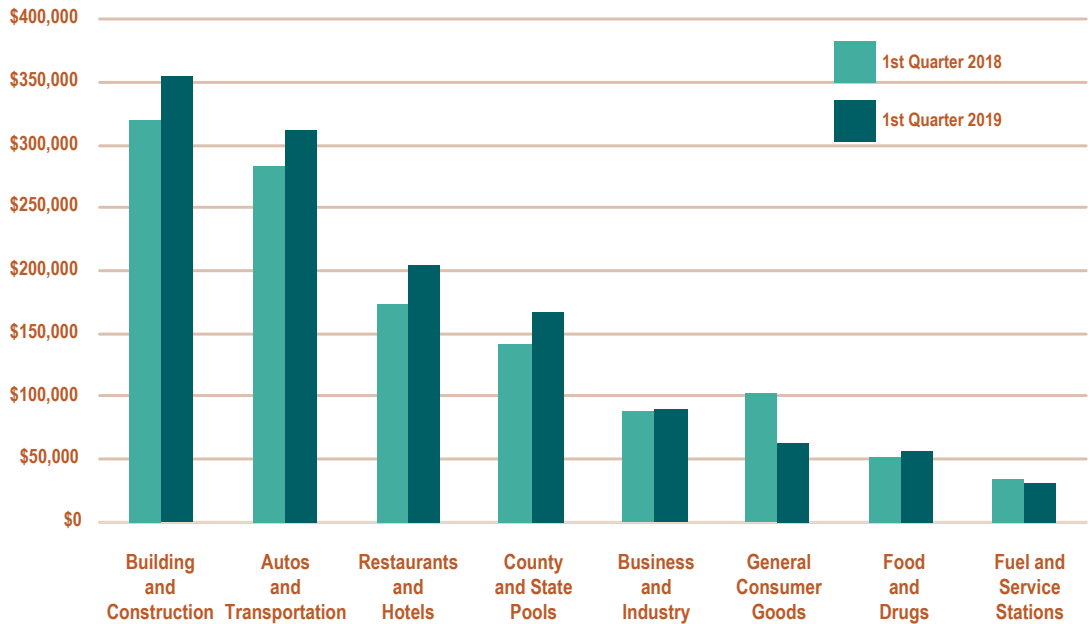
Once adjusted, weak sales by auto vendors, consistent with the regional and statewide trend, hurt the overall results. The closeout of a major retailer continued to hinder general consumer returns, while decreased activity by repair shop-equipment rental vendors and heavy industrial merchants negatively impacted business-industry.

In contrast, local contractor suppliers experienced solid gains, and increased items shipped into the region, which bolstered allocations from the countywide use tax pool, partially offset the adjusted decline.

The City's voter approved half-cent transaction tax, Measure A, generated an additional \$570,816, a 1.5% decrease over last year, largely due to the same as above.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.9% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Acey Decy Lighting	Malbros Ready Mix Concrete
Ally Financial	McDonald's
Arco	Nachos Ornamental Supply
Arroyo Building Materials	Papa Juan's Baja Grill
Casco	Pool & Electrical Products
CCAP Auto Lease	Rydell Chrysler Dodge Jeep Ram
El Pollo Loco	Smart & Final
El Super	T L Shield & Associates
Ferguson Enterprises	Taco Bell
Ganas Auto	Vallarta Supermarket
Goodman Distribution	Western Motor Sport
Home Depot	
IHOP	
Jack in the Box	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$3,392,567	\$3,663,135
County Pool	473,289	524,951
State Pool	2,172	1,908
Gross Receipts	\$3,868,028	\$4,189,993
Measure A	\$1,945,516	\$2,016,676

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

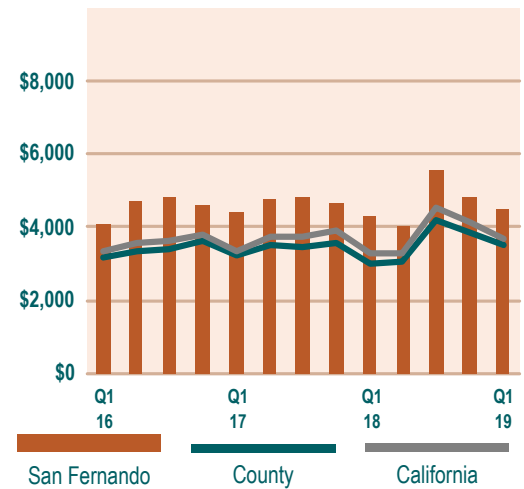
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

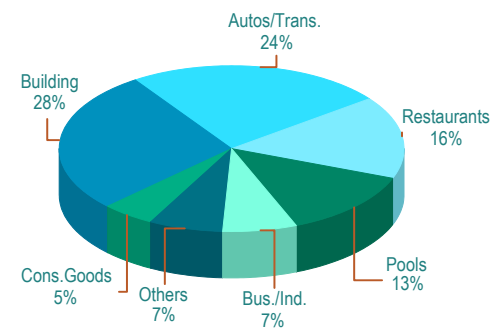
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
San Fernando This Quarter



SAN FERNANDO TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	San Fernando Q1 '19*	San Fernando Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —		na	na
Auto Repair Shops	15.8	44.8%	15.0%	12.8%
Automotive Supply Stores	28.3	11.5%	12.5%	8.7%
Building Materials	— CONFIDENTIAL —		3.9%	4.0%
Casual Dining	64.1	19.3%	14.7%	13.3%
Contractors	61.7	69.1%	9.0%	4.7%
Electrical Equipment	— CONFIDENTIAL —		0.1%	20.8%
Fast-Casual Restaurants	24.1	16.9%	8.5%	8.7%
Grocery Stores	32.1	2.9%	42.4%	25.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-0.4%	-1.8%
Plumbing/Electrical Supplies	50.3	-16.6%	6.9%	4.6%
Quick-Service Restaurants	113.9	16.4%	8.3%	10.1%
Repair Shop/Equip. Rentals	18.7	-29.9%	40.3%	38.1%
Service Stations	31.6	-8.3%	21.9%	15.8%
Used Automotive Dealers	— CONFIDENTIAL —		14.1%	13.4%
Total All Accounts	1,109.6	5.3%	16.5%	13.5%
County & State Pool Allocation	166.8	17.2%	29.8%	23.8%
Gross Receipts	1,276.4	6.7%	18.1%	14.9%