

Q2 2019



San Fernando Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

San Fernando In Brief

San Fernando's receipts from April through June were 25.1% above the second 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 delayed distributions to the City. Excluding reporting aberrations, actual sales were up 4.8%.

The automotive sector posted a 13.8% increase, the largest gain in actual sales. Food and drugs sales were 9.4% higher, while building and construction posted a modest 1.4% gain.

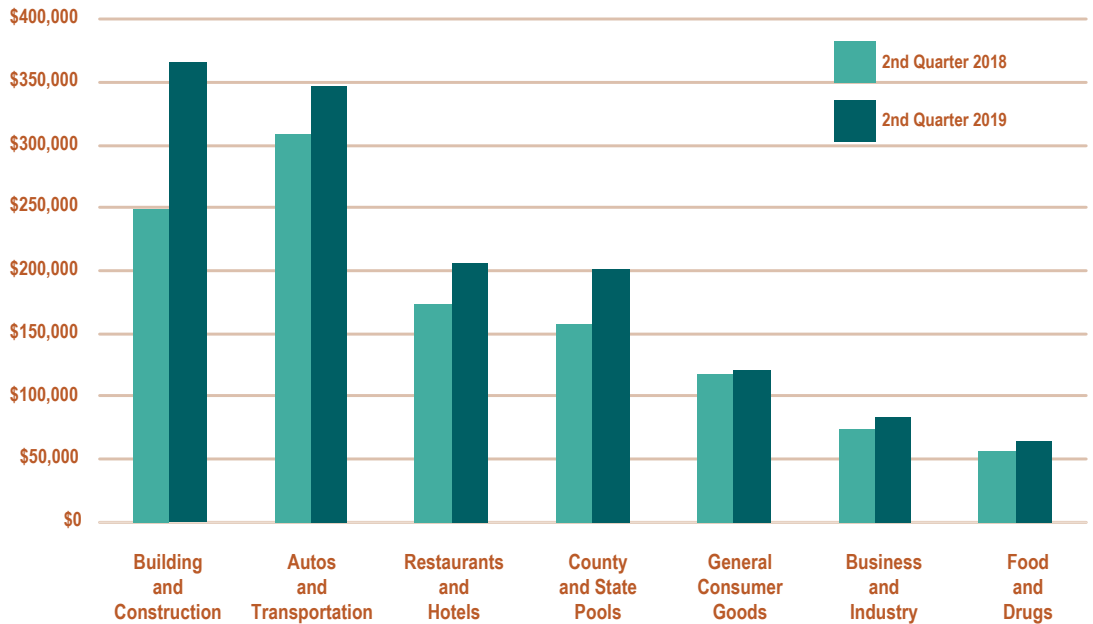
Cash receipts from City's allocation of the countywide use tax pool increased 28.7%. Adjusting for anomalies, pool receipts were 21.6% higher.

The gains were partially offset by weak sales in multiple categories in general consumer goods and business and industry, which saw declines of 11.7% and 15.5%, respectively.

Measure A generated an additional \$654,020; 28.7% higher than the prior year. Adjusting for anomalies, sales were up 3.8%.

Net of aberrations, taxable receipts for all of Los Angeles County grew 2.6% over the comparable time period; the Southern California region was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Acey Decy Lighting	IHOP
Arco	McDonald's
Arroyo Building Materials	Nachos Ornamental Supply
Casco	Pool & Electrical Products
CCAP Auto Lease	Rydell Chrysler Dodge Jeep Ram
El Pollo Loco	Smart & Final
El Super	Southland Lighting
Enterprise Rent A Car	T Mobile
Ferguson Enterprises	Taco Bell
Ganas Auto	Truman Fuel
Goodman Distribution	Vallarta Supermarket
Home Depot	Western Motor Sport
	WSS

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$4,377,993	\$4,890,568
County Pool	630,025	726,722
State Pool	2,546	2,444
Gross Receipts	\$5,010,563	\$5,619,734
Measure A	\$2,468,080	\$2,670,696

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

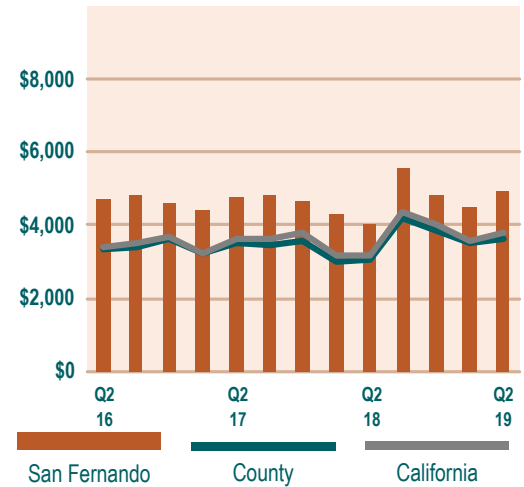
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

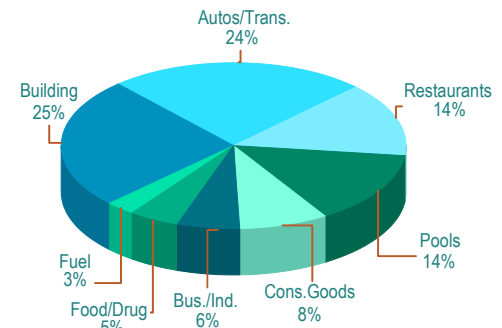
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

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 '19*	Change	County Change	HdL State Change
Auto Lease	38.7	5.8%	-49.4%	-48.7%
Auto Repair Shops	17.1	10.3%	21.6%	21.6%
Automotive Supply Stores	24.6	3.0%	13.8%	16.4%
Building Materials	— CONFIDENTIAL —	—	48.8%	34.1%
Casual Dining	61.7	43.6%	22.9%	24.5%
Contractors	51.5	50.0%	20.3%	26.8%
Electronics/Appliance Stores	39.3	-10.4%	10.5%	7.0%
Fast-Casual Restaurants	22.1	50.3%	17.7%	18.9%
Grocery Stores	36.2	-1.2%	10.4%	9.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	7.5%	5.4%
Plumbing/Electrical Supplies	72.5	3.8%	34.5%	28.9%
Quick-Service Restaurants	121.5	7.4%	12.9%	15.9%
Service Stations	— CONFIDENTIAL —	—	39.6%	51.4%
Shoe Stores	— CONFIDENTIAL —	—	14.7%	9.2%
Used Automotive Dealers	— CONFIDENTIAL —	—	83.7%	90.2%
Total All Accounts	1,227.4	24.6%	18.4%	20.1%
County & State Pool Allocation	202.3	28.8%	22.4%	22.4%
Gross Receipts	1,429.7	25.1%	19.0%	20.4%