

Q3 2019



San Fernando Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

San Fernando In Brief

San Fernando's receipts from July through September were 3.2% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were up 7.3%.

The uptick in auto-related sectors was a major factor in the gain in gross receipts. Higher receipts in the City's share of the countywide use tax allocation pool also contributed.

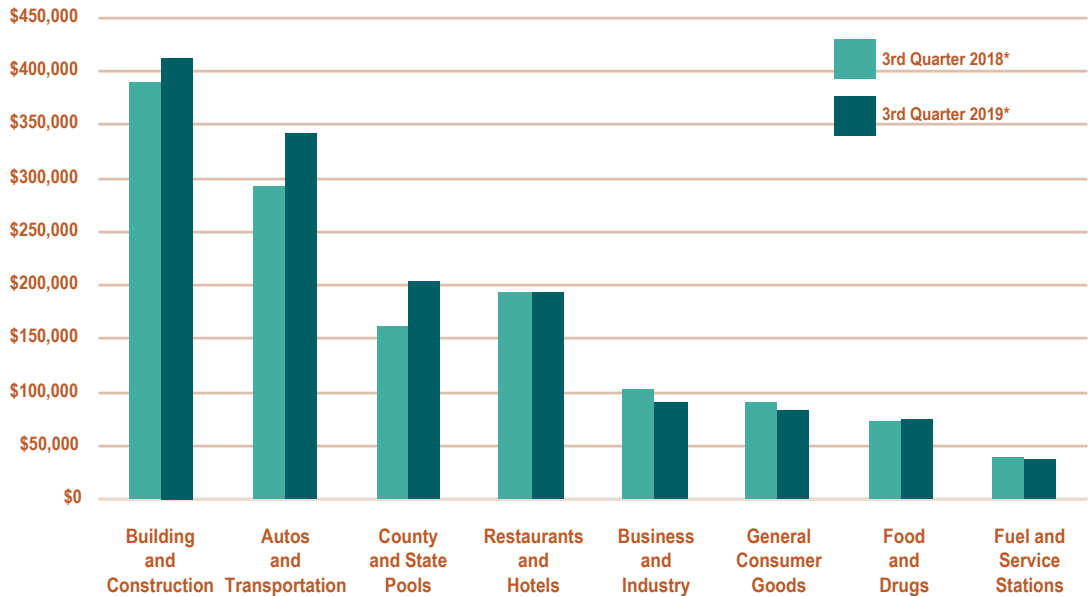
Growth in building and construction outpaced regional trends gaining 6.1% over last year.

While several sectors were up in business to business activity, closeouts hampered overall returns. General retail and restaurants trailed year ago performance on an adjusted basis.

The actual 3.5% decline in Measure A, the City's half cent transactions tax, was due to missing allocations and a closeout in the business and industry group.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.7% over the comparable time period; the Southern California region was up 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Malbros Ready Mix Concrete
Arroyo Building Materials	McDonald's
Casco	Nachos Ornamental Supply
CCAP Auto Lease	Pool & Electrical Products
El Pollo Loco	Rydell Chrysler Dodge Jeep Ram
El Super	Smart & Final
Enterprise Rent A Car	Southland Lighting
Ferguson Enterprises	T Mobile
Ganas Auto	TMB Production Supplies & Services
German Light Products	Truman Fuel
Goodman Distribution	Vallarta Supermarket
Home Depot	WSS
IHOP	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$1,371,989	\$1,292,191
County Pool	186,224	216,034
State Pool	704	516
Gross Receipts	\$1,558,917	\$1,508,741
Measure A	\$777,044	\$652,406

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

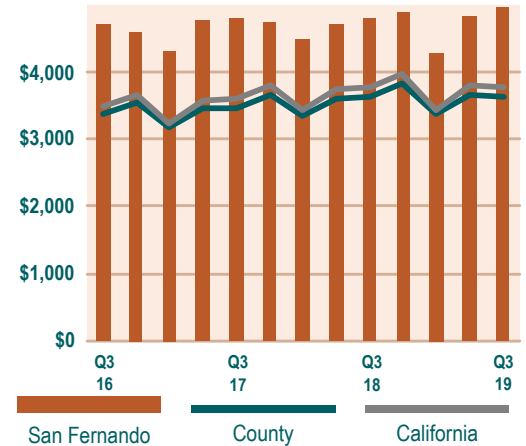
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

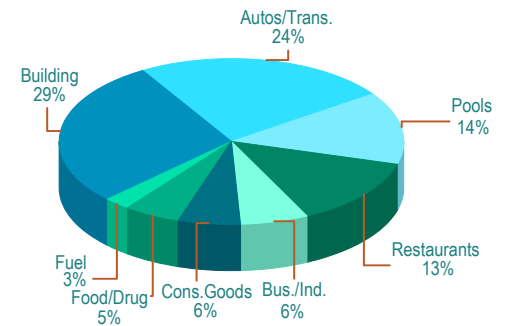
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
San Fernando This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

SAN FERNANDO TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	San Fernando Q3 '19*	Change	County Change	HdL State Change
Auto Lease	41.3	34.6%	2.0%	4.6%
Automotive Supply Stores	25.5	-5.7%	3.8%	3.7%
Building Materials	— CONFIDENTIAL —	—	0.8%	0.1%
Casual Dining	50.4	-5.0%	2.6%	2.3%
Contractors	72.5	16.3%	-3.6%	2.6%
Convenience Stores/Liquor	15.4	5.4%	2.1%	1.0%
Electronics/Appliance Stores	23.1	-11.8%	-5.8%	-3.1%
Fast-Casual Restaurants	19.8	-12.3%	2.0%	5.1%
Grocery Stores	45.7	0.0%	1.4%	1.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-4.5%	-7.2%
Plumbing/Electrical Supplies	85.8	16.6%	-5.9%	4.3%
Quick-Service Restaurants	122.2	4.7%	1.7%	2.6%
Service Stations	37.9	-4.9%	-3.9%	-1.5%
Shoe Stores	— CONFIDENTIAL —	—	0.7%	-1.7%
Used Automotive Dealers	— CONFIDENTIAL —	—	-0.2%	2.1%
Total All Accounts	1,236.0	4.7%	0.1%	0.3%
County & State Pool Allocation	204.6	26.5%	21.2%	14.9%
Gross Receipts	1,440.6	7.3%	2.7%	2.3%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.