

Q4 2019



San Fernando Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

San Fernando In Brief

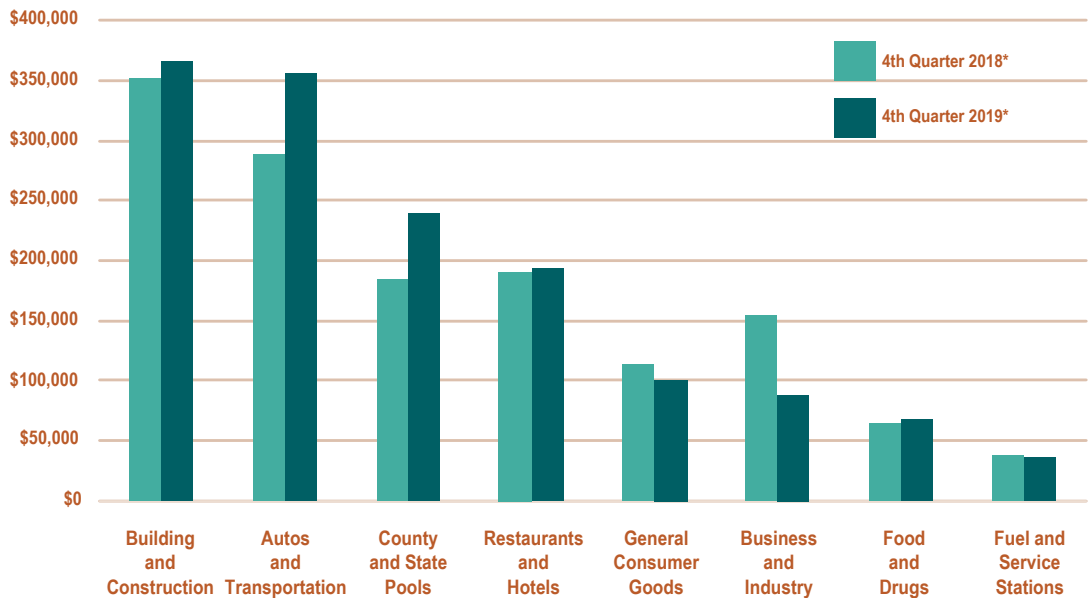
San Fernando's allocation of sales and use tax from its October through December sales was 7.6% higher than the holiday quarter of 2018. The actual gain was 4.4% after accounting anomalies are factored out.

A solid quarter for sales within the auto transportation group and some contractor supplies were offset by a generally soft quarter and declines elsewhere. The primary contributor to the overall increase was a rise in the City's 0.3% of the countywide use tax allocation pool which was due to accelerated online shopping where much of the merchandise is shipped from out-of-state and from a previous Supreme Court decision that allows requiring out-of-state retailers to collect and remit California's sales and use tax.

Voter-approved Measure A added \$678,654 to the above but was 3.1% lower than the 4th quarter of 2014 after adjusting for accounting anomalies. The decline was the result of onetime purchases that inflated last year's returns.

Adjusted for aberrations, sales and use tax receipts for all of Los Angeles County rose 3.8% over the comparable time period while Southern California as a whole, was up 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$2,553,550	\$2,514,036
County Pool	358,808	451,122
State Pool	1,279	1,124
Gross Receipts	\$2,913,637	\$2,966,282
Measure A	\$1,445,860	\$1,331,060

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

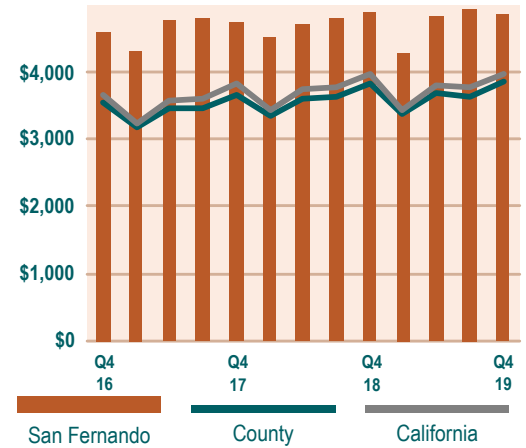
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

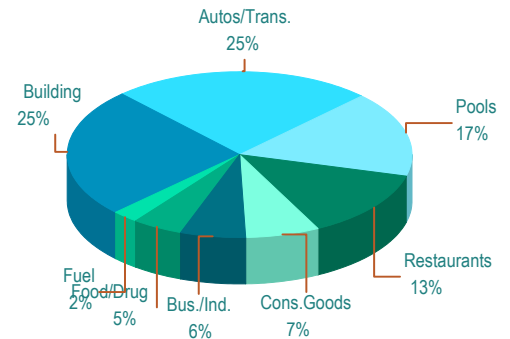
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

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 Q4 '19*	San Fernando Change	County Change	HdL State Change
Auto Lease	43.1	27.6%	1.3%	3.2%
Automotive Supply Stores	24.3	1.3%	-0.2%	0.5%
Building Materials	— CONFIDENTIAL —	—	1.7%	1.4%
Casual Dining	51.0	-2.0%	4.3%	3.8%
Contractors	67.9	20.3%	-4.4%	-4.4%
Electronics/Appliance Stores	28.1	-14.1%	-6.1%	-6.6%
Fast-Casual Restaurants	16.9	-13.6%	1.6%	4.3%
Grocery Stores	38.3	2.1%	0.7%	1.3%
Heavy Industrial	15.9	-13.0%	-5.6%	-3.2%
Motion Pictures/Equipment	15.9	-35.6%	5.3%	0.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-0.9%	-3.4%
Plumbing/Electrical Supplies	55.1	-3.0%	4.7%	-0.6%
Quick-Service Restaurants	122.9	5.3%	0.6%	1.9%
Service Stations	35.8	-5.7%	-0.1%	0.2%
Shoe Stores	— CONFIDENTIAL —	—	-2.6%	-0.3%
Total All Accounts	1,207.0	0.5%	0.2%	0.2%
County & State Pool Allocation	239.1	29.6%	26.7%	26.7%
Gross Receipts	1,446.1	4.4%	3.8%	4.2%

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