

Q1 2020



San Fernando Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

San Fernando In Brief

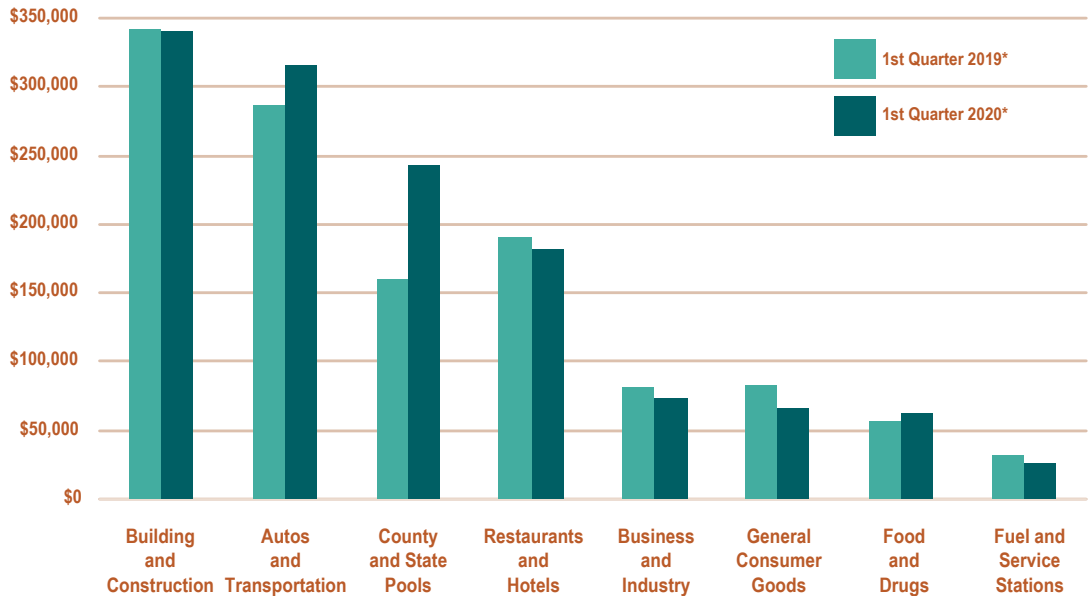
The City's allocation of sales and use tax from its January through March sales was 5.1% lower than the first quarter of 2019. However, the decrease was primarily due to deferred payments related to the State's Covid-19 taxpayer relief program. Revenues would have been approximately 6.2% higher after factoring for these and other reporting anomalies.

A sharp rise in receipts from the countywide use tax allocation pool was primarily responsible for the actual gain and is resulting from a shift to shopping over the internet as well as recent legislation that requires out-of-state retailers to collect and remit local taxes. A solid sales quarter for the auto-transportation and food-drug groups also contributed to the actual gain and helped offset declines in other categories.

Voter approved Measure A added \$497,631 to the amounts discussed above but was 2.5% lower than the same quarter last year after factoring for deferrals and reporting anomalies.

Adjusted for deferred payments and accounting aberrations, sales and use tax receipts for all of Los Angeles County declined 5.3% over the comparable time period while Southern California as a whole, was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Jack in the Box
Arroyo Building Materials	Malbros Ready Mix Concrete
Casco	McDonald's
CCAP Auto Lease	Nachos Ornamental Supply
CVS Pharmacy	Pool & Electrical Products
El Pollo Loco	Rydel Chrysler Dodge Jeep Ram
El Super	Smart & Final
Enterprise Rent A Car	T Mobile
Ferguson Enterprises	Taco Bell
Ganas Auto	Truman Fuel
Goodman Distribution	Vallarta Supermarket
Home Depot	Western Motor Sport
IHOP	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$3,663,135	\$3,486,463
County Pool	524,951	688,459
State Pool	1,908	2,002
Gross Receipts	\$4,189,993	\$4,176,924
Measure A	\$2,016,676	\$1,828,691

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

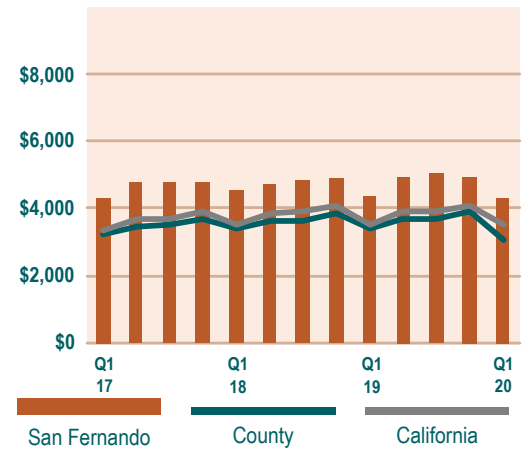
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

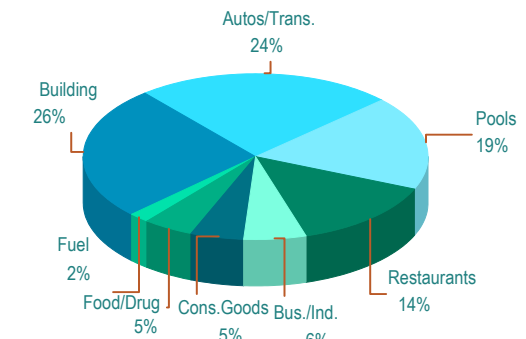
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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	San Fernando		County	HdL State
	Q1 '20*	Change	Change	Change
Auto Lease	— CONFIDENTIAL —	—	-2.9%	1.6%
Automotive Supply Stores	24.3	-4.2%	-12.3%	-9.5%
Building Materials	— CONFIDENTIAL —	—	1.4%	3.0%
Casual Dining	45.9	-14.8%	-19.4%	-18.8%
Contractors	55.2	5.6%	-3.3%	3.2%
Drug Stores	— CONFIDENTIAL —	—	4.7%	3.4%
Electronics/Appliance Stores	20.9	-18.2%	-17.7%	-18.0%
Fast-Casual Restaurants	20.8	2.3%	-10.5%	-9.9%
Grocery Stores	35.6	11.5%	9.3%	11.8%
Heavy Industrial	12.7	0.7%	-7.4%	-6.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-11.1%	-10.6%
Plumbing/Electrical Supplies	46.9	-4.1%	1.1%	1.5%
Quick-Service Restaurants	114.2	-0.1%	-9.5%	-8.5%
Service Stations	26.6	-15.9%	-10.3%	-9.5%
Used Automotive Dealers	— CONFIDENTIAL —	—	-12.4%	-12.7%
Total All Accounts	1,064.8	-0.6%	-9.9%	-7.3%
County & State Pool Allocation	242.9	51.4%	25.6%	22.4%
Gross Receipts	1,307.7	6.2%	-5.3%	-3.0%

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