

Q2 2020



San Fernando Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

San Fernando In Brief

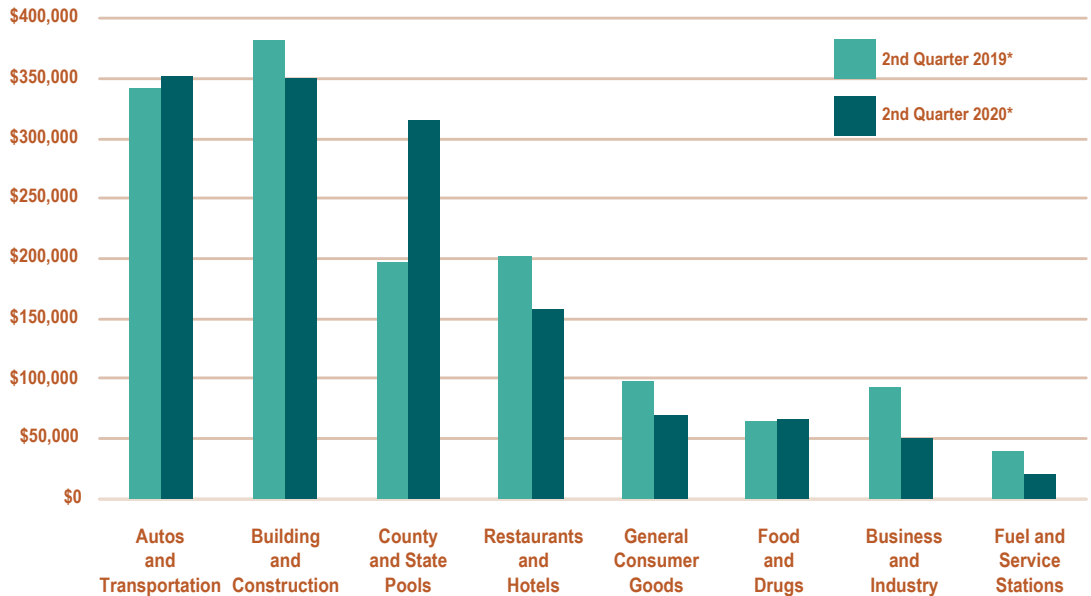
San Fernando's allocation of sales and use tax from its April through June sales was 7.4% higher than the second quarter of 2019 but was inflated by previously deferred payments allowed under the state's covid-19 taxpayer relief program. Receipts were down 2.4% after factoring for these and other accounting anomalies.

An acceleration in shopping over the internet boosted receipts in the countywide use tax pool where taxes on merchandise shipped from out-of-state are allocated and partially offset declines in other segments. Positive gains in the food-drugs and auto-transportation groups also helped.

Voter-approved Measure A added \$662,802 to the amounts discussed above but was 12.9% lower than the same quarter one year ago after factoring out back payments. All but the general consumer goods and food-drug segments were down. Measure A revenues are allocated back to the jurisdiction of the buyer rather than the seller or pools and the gain in general consumer goods taxes from this source reflect a shift from stores to online retail.

Adjusted for deferred payments and accounting aberrations, sales and use tax receipts for all of Los Angeles County declined 22.7% from last year's comparable quarter while Southern California as a whole, was down 18.0%.

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	Pool & Electrical Products
CCAP Auto Lease	Respond Systems
CVS Pharmacy	Royalty Distribution
El Pollo Loco	Rydell Chrysler Dodge Jeep Ram
El Super	Smart & Final
Ferguson Enterprises	Southland Lighting
Ganas Auto	T Mobile
Goodman Distribution	Taco Bell
Home Depot	Vallarta Supermarket
Jack in the Box	Walgreens
	WSS

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$4,890,568	\$4,689,873
County Pool	726,722	1,019,772
State Pool	2,444	2,490
Gross Receipts	\$5,619,734	\$5,712,135
Measure A	\$2,670,696	\$2,491,493

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

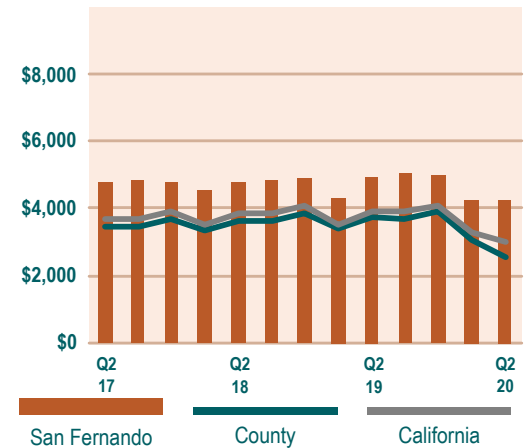
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

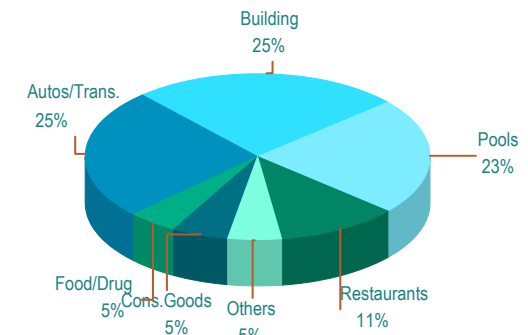
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

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
	Q2 '20*	Change	Change	Change
Auto Lease	— CONFIDENTIAL —	—	-11.9%	-9.2%
Automotive Supply Stores	24.4	-4.1%	-10.6%	-4.7%
Building Materials	— CONFIDENTIAL —	—	2.3%	7.0%
Casual Dining	18.5	-69.0%	-56.0%	-53.2%
Contractors	53.3	-19.0%	-11.2%	-12.1%
Convenience Stores/Liquor	14.9	0.9%	9.7%	8.4%
Drug Stores	— CONFIDENTIAL —	—	-1.9%	0.1%
Electronics/Appliance Stores	24.3	0.5%	-52.0%	-50.8%
Fast-Casual Restaurants	21.4	0.5%	-34.7%	-30.2%
Grocery Stores	36.5	0.6%	5.3%	7.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-19.6%	-15.8%
Plumbing/Electrical Supplies	64.9	-10.3%	-15.7%	-15.8%
Quick-Service Restaurants	117.4	-1.7%	-26.2%	-22.0%
Service Stations	19.7	-49.4%	-50.1%	-45.2%
Used Automotive Dealers	— CONFIDENTIAL —	—	-21.1%	-20.6%
Total All Accounts	1,065.2	-12.5%	-31.2%	-24.0%
County & State Pool Allocation	314.9	60.3%	31.2%	28.9%
Gross Receipts	1,380.0	-2.4%	-22.7%	-16.3%

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