

Q2 2017



San Fernando Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

San Fernando In Brief

San Fernando's receipts from April through June were flat compared to the second sales period in 2016. Excluding reporting aberrations, actual sales were up 2.7%.

The City experienced a strong sales quarter for the building and construction sector and quick-service restaurants. A recent addition helped boost revenues from casual dining restaurants.

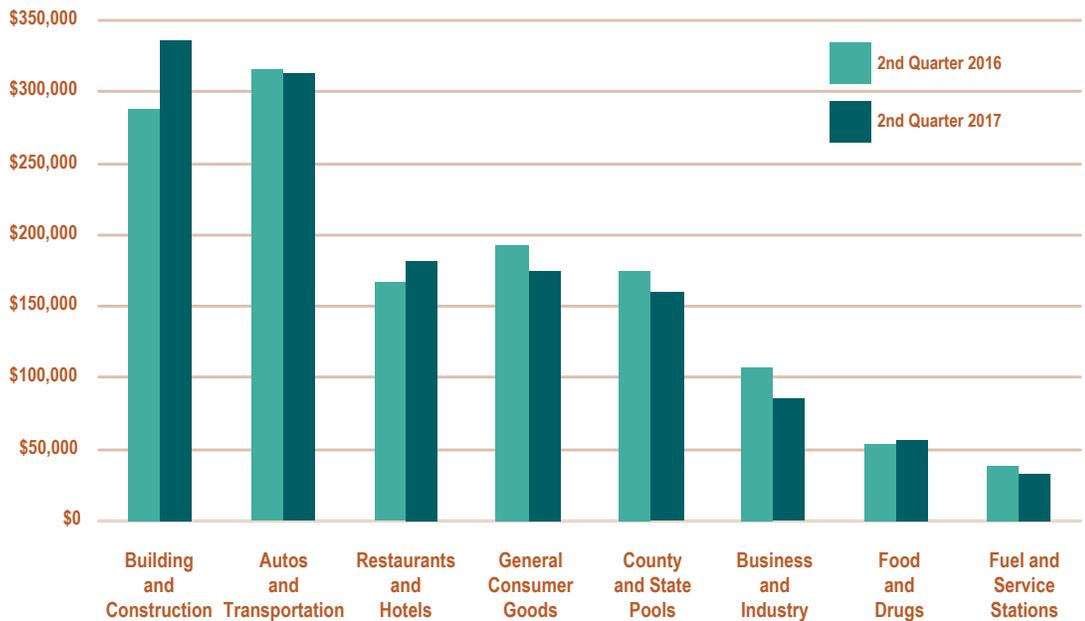
The gains were offset by a decline in sales from the business-industry and autos-transportation sectors. Overtime accounting adjustments that inflated year-ago returns exaggerated the drop in electronics/appliance stores.

A decrease in the county use tax pool allocation this quarter was primarily due to a onetime adjustment that inflated results in the year ago period.

The City's Measure A half-cent transaction tax generated an additional \$635,357 for the quarter, an increase of 3.6% over the same period one year ago.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Acey Decy Lighting	McDonalds
Arco	Nachos Ornamental
Arroyo Building Materials	Pool & Electrical Products
Casco	PRG
CCAP Auto Lease	Rydell Chrysler Dodge Jeep Ram
El Pollo Loco	Sams Club
El Super	Smart & Final
Ferguson Enterprises	T Mobile
Ganas Auto	TMB Production Supplies & Services
General Motors Acceptance	Truman 76
Goodman Distribution	Vallarta Supermarket
Home Depot	WSS
IHOP	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,165,236	\$1,179,071
County Pool	174,914	161,055
State Pool	409	(617)
Gross Receipts	\$1,340,559	\$1,339,510
Less Triple Flip*	\$0	\$0
Measure A	\$613,243	\$635,357

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

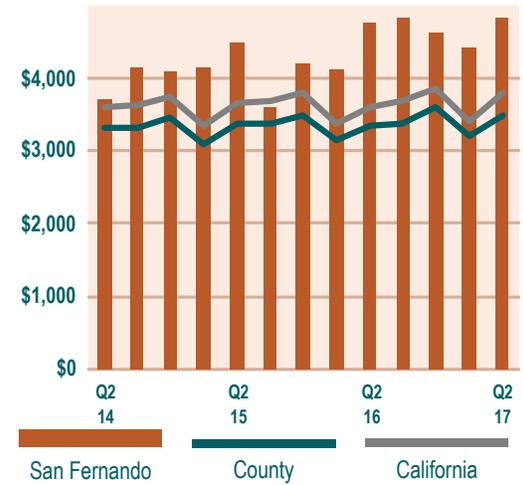
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

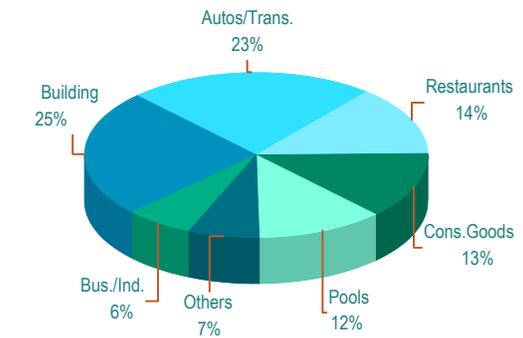
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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 '17*	San Fernando Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —	—	12.9%	15.5%
Automotive Supply Stores	25.8	-8.4%	0.3%	2.8%
Building Materials	— CONFIDENTIAL —	—	6.2%	6.0%
Casual Dining	48.2	14.4%	2.7%	1.9%
Contractors	40.3	4.5%	8.3%	9.7%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	3.2%
Electrical Equipment	— CONFIDENTIAL —	—	12.9%	3.3%
Electronics/Appliance Stores	25.2	-45.6%	0.4%	0.3%
Grocery Stores	35.4	-0.1%	2.0%	2.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	2.7%	1.4%
Plumbing/Electrical Supplies	72.9	30.6%	4.9%	3.7%
Quick-Service Restaurants	116.4	6.2%	5.6%	5.9%
Repair Shop/Equip. Rentals	18.5	-44.2%	-5.0%	3.6%
Service Stations	33.4	-6.9%	9.5%	8.6%
Used Automotive Dealers	17.1	-30.3%	4.2%	2.6%
Total All Accounts	1,179.1	1.2%	4.8%	6.4%
County & State Pool Allocation	160.4	-8.5%	-5.2%	-9.9%
Gross Receipts	1,339.5	-0.1%	3.5%	4.1%