

Q4 2016

THE CITY OF
SAN FERNANDO

San Fernando Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

San Fernando In Brief

San Fernando's receipts from October through December were 9.8% above the fourth sales period in 2015.

Outstanding performance in auto-related sectors was a major factor in the overall gain in gross receipts. Building and construction activity posted a double-digit increase compared to a year ago while recent openings boosted returns in restaurants.

The rise in the City's share of the countywide use tax allocation pool also contributed to higher receipts.

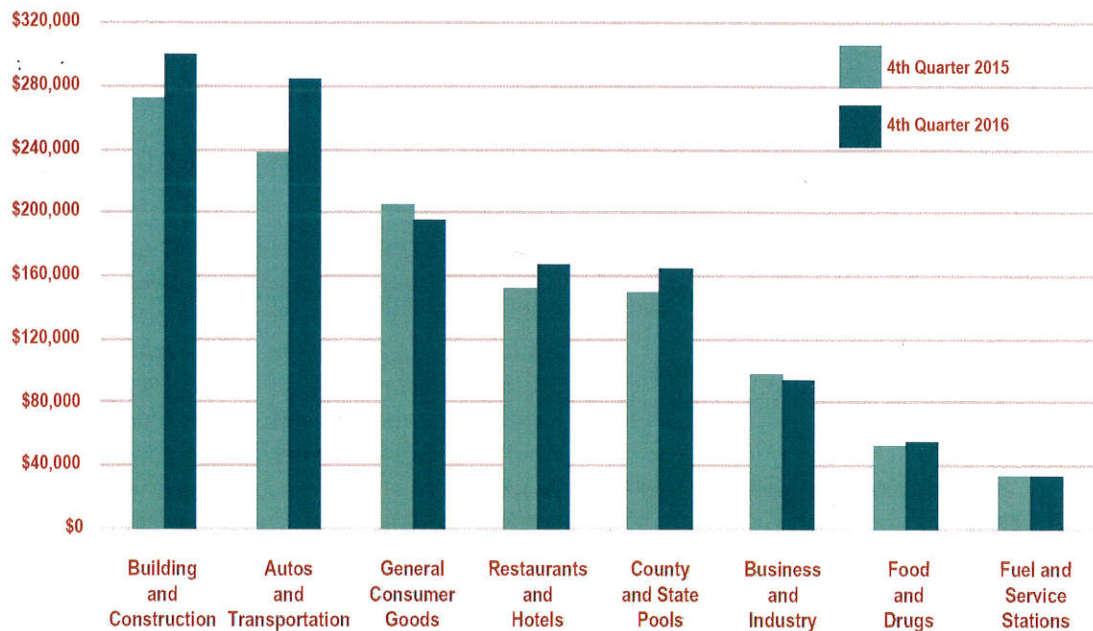
Holiday season retail sales trailed regional trends, however revenues increased in several sectors including electronics.

Multiple onetime events accounted for the decrease in business and industry.

Revenues from the City's voter-approved Measure A half-cent transactions tax were up 8%.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.2% over the comparable time period; the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Acey Decy Lighting	Nachos Ornamental
Addax Tactical	Pool & Electrical Products
Arco	PRG
Arroyo Building Materials	Rydel Chrysler Dodge Jeep Ram
Casco	Sams Club
El Pollo Loco	Smart & Final
El Super	Southland Lighting
Enterprise Rent A Car	T Mobile
Ferguson Enterprises	TMB Production Supplies & Services
Ganas Auto	Vallarta Supermarket
Home Depot	Western Motor Sport
IHOP	WSS
McDonald's	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,010,464	\$3,480,695
County Pool	396,761	497,156
State Pool	3,432	1,976
Gross Receipts	\$3,410,658	\$3,979,827
Less Triple Flip*	\$(852,664)	\$0
Measure A	\$1,679,430	\$1,838,874

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COMPANIES

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

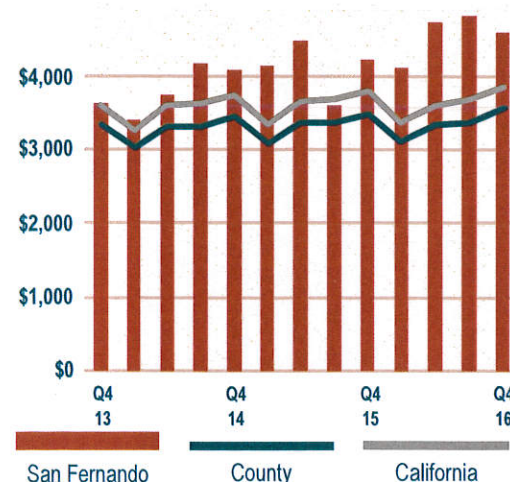
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary "pop-up" shops and subleasing in-store space to others are on the rise.

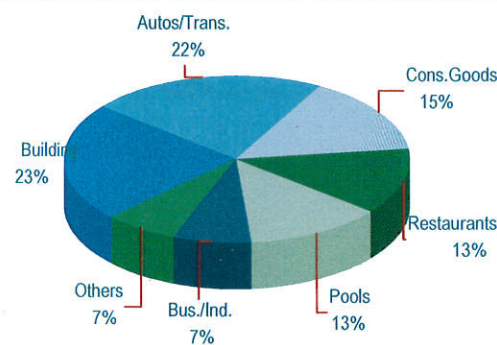
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today's economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP San Fernando This Quarter



SAN FERNANDO TOP 15 BUSINESS TYPES

<i>*In thousands of dollars</i>	San Fernando		County	HdL State
Business Type	Q4 '16*	Change	Change	Change
Auto Repair Shops	16.7	4.7%	3.9%	4.3%
Automotive Supply Stores	22.6	-2.0%	-1.4%	0.0%
Building Materials	— CONFIDENTIAL —		-1.0%	0.7%
Casual Dining	44.7	25.9%	3.2%	2.9%
Contractors	35.7	3.3%	1.9%	-0.1%
Discount Dept Stores	— CONFIDENTIAL —		-0.9%	-0.6%
Electronics/Appliance Stores	25.3	21.5%	1.9%	-1.3%
Grocery Stores	37.1	1.4%	7.0%	4.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		2.7%	5.6%
Plumbing/Electrical Supplies	58.0	17.5%	1.1%	1.5%
Quick-Service Restaurants	107.3	7.2%	5.5%	5.7%
Repair Shop/Equip. Rentals	28.6	-5.2%	10.1%	6.5%
Service Stations	33.6	6.9%	-2.6%	-0.9%
Shoe Stores	— CONFIDENTIAL —		4.2%	4.5%
Used Automotive Dealers	22.4	-2.7%	-2.2%	7.6%
Total All Accounts	1,131.3	9.8%	3.6%	2.4%
County & State Pool Allocation	165.1	9.7%	3.5%	6.9%
Gross Receipts	1,296.4	9.8%	3.6%	3.0%