

Q3

2016



San Fernando Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

San Fernando In Brief

San Fernando's receipts from July through September were 35.7% above the third sales period in 2015. Excluding reporting aberrations, actual sales were up 11.5%.

A onetime accounting adjustment that negatively impacted year-ago returns exaggerated overall results and was primarily responsible for the current increase.

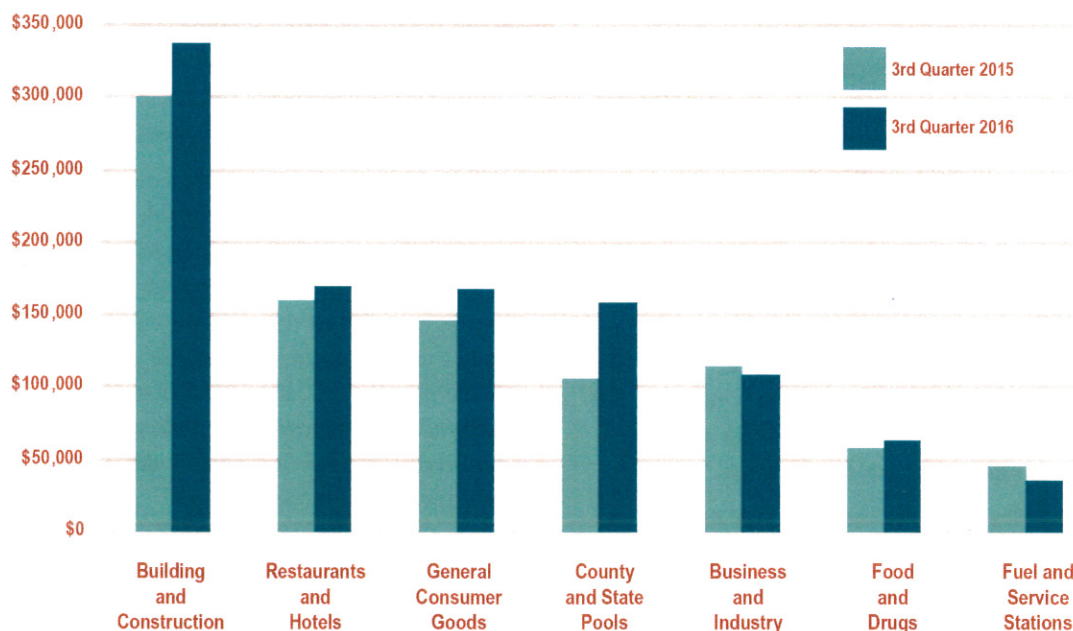
An increase in the City's allocation from the county use tax pool also contributed to the overall gains. The City experienced a strong sales quarter for the building and construction group.

The gains were partially offset by lower fuel prices at the pump that reduced receipts from service stations.

The City's Measure A voter approved half-cent transaction tax generated an additional \$616,010 for the quarter, an increase of 10.7% over the same period one year ago.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.8% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|---------------------------|------------------------------------|
| Acey Decy Lighting | Nachos Ornamental |
| Adidas | Pebble Technology Incorporated |
| Arco | Pool & Electrical Products |
| Arroyo Building Materials | PRG |
| Casco | Rydell Chrysler Dodge Jeep Ram |
| El Pollo Loco | Sams Club |
| El Super | Smart & Final |
| Ferguson Enterprises | T Mobile |
| Ganas Auto | TMB Production Supplies & Services |
| Goodman Distribution | Vallarta Supermarket |
| Haimetal Duct | Western Motor Sport |
| Home Depot | WSS |
| McDonald's | |

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

| | 2015-16 | 2016-17 |
|-------------------|-------------|-------------|
| Point-of-Sale | \$1,979,882 | \$2,349,436 |
| County Pool | 248,593 | 333,215 |
| State Pool | 1,087 | 815 |
| Gross Receipts | \$2,229,562 | \$2,683,467 |
| Less Triple Flip* | \$(557,391) | \$0 |
| | \$1,114,870 | \$1,229,253 |

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

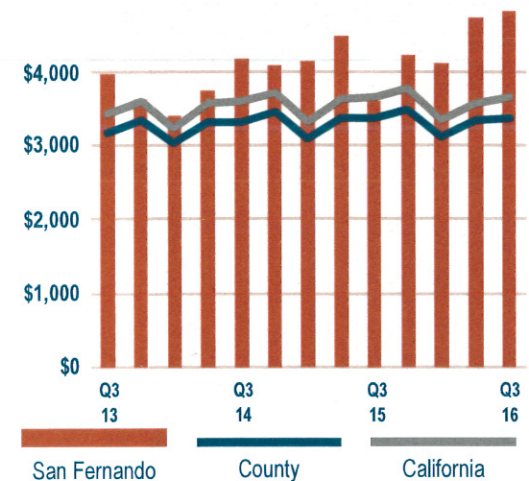
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

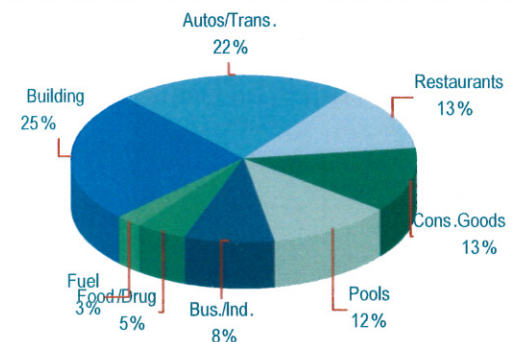
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP San Fernando This Quarter



SAN FERNANDO TOP 15 BUSINESS TYPES

*In thousands of dollars

| Business Type | San Fernando | | County | HdL State |
|---|------------------|--------------|--------------|--------------|
| | Q3 '16* | Change | Change | Change |
| Automotive Supply Stores | 24.7 | -0.8% | 3.9% | 3.8% |
| Casual Dining | 44.0 | 12.1% | 4.9% | 4.4% |
| Contractors | 51.1 | 22.0% | 0.8% | 1.4% |
| Discount Dept Stores | — CONFIDENTIAL — | — | -0.4% | -0.4% |
| Electrical Equipment | — CONFIDENTIAL — | — | 39.0% | 13.0% |
| Electronics/Appliance Stores | — CONFIDENTIAL — | — | -0.3% | -1.5% |
| Grocery Stores | 44.9 | 6.6% | -6.6% | -2.1% |
| Lumber/Building Materials | — CONFIDENTIAL — | — | 4.8% | 6.9% |
| New Motor Vehicle Dealers | — CONFIDENTIAL — | — | 2.9% | 4.8% |
| Plumbing/Electrical Supplies | — CONFIDENTIAL — | — | 1.7% | 4.6% |
| Quick-Service Restaurants | 110.7 | 4.6% | 10.3% | 8.9% |
| Repair Shop/Equip. Rentals | 33.5 | 22.3% | -5.4% | 8.5% |
| Service Stations | 34.8 | -17.0% | -18.3% | -13.8% |
| Shoe Stores | — CONFIDENTIAL — | — | 7.9% | 7.2% |
| Used Automotive Dealers | — CONFIDENTIAL — | — | 0.9% | 8.1% |
| Total All Accounts | 1,184.2 | 34.0% | 0.3% | 0.9% |
| County & State Pool Allocation | 158.7 | 49.5% | 11.9% | 11.5% |
| Gross Receipts | 1,342.9 | 35.7% | 1.6% | 2.2% |