

Q4 2015



San Fernando Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

San Fernando In Brief

San Fernando's receipts from October through December were 4.9% above the fourth sales period in 2014. Excluding reporting aberrations, actual sales were up 7.9%.

A reporting error that inflated the year-ago quarter in autos and transportation understated the increase in gross receipts as a whole. Once this onetime event was removed this group contributed the lion's share of the overall growth in sales tax compared to last year.

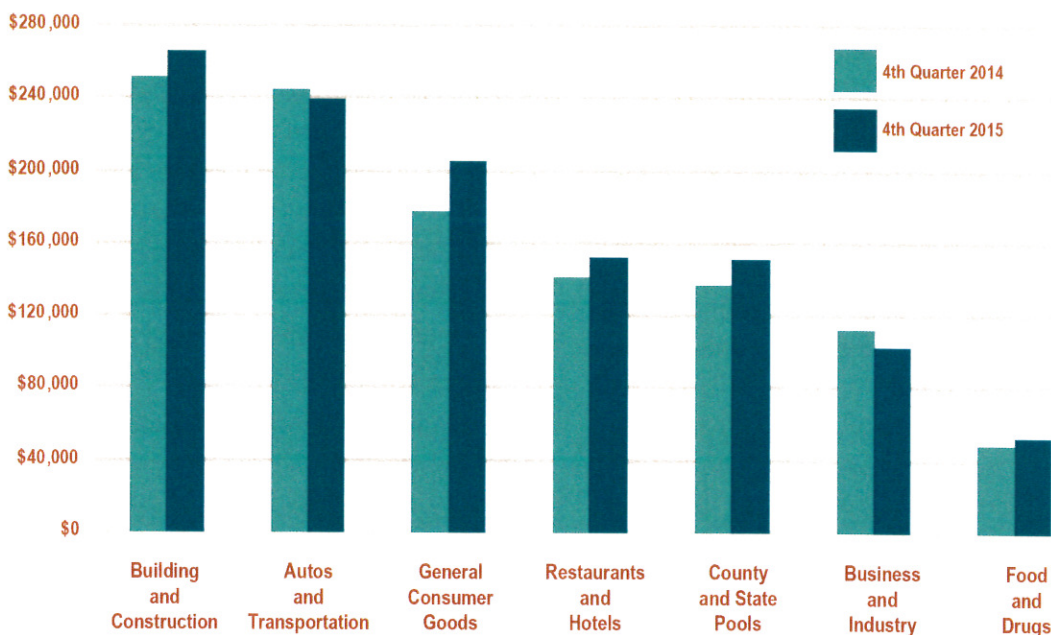
Building and construction posted solid gains while payment deviations overstated the increase in holiday sales in general consumer goods. Similar events inflated receipts in restaurants which benefited from new eateries.

A year-ago deduction accounted for the spike in service stations while unusually high returns last year in repair shop/equipment rentals negatively impacted business to business proceeds.

Receipts from the City's voter approved Measure A was up 9.1% once onetime deviations were removed. Higher returns in business and industry boosted the gain.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.4% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Acey Decy Lighting	McDonalds
Araca Merchandise	Nachos Ornamental
Arco	Pool & Electrical Products
Arroyo Building Materials	PRG
Casco	Rydell Chrysler Dodge Jeep Ram
El Pollo Loco	Sams Club
El Super	Smart & Final
Enterprise Rent A Car	T Mobile
Ferguson Enterprises	TMB Production Supplies & Services
Goodman Distribution	Truman 76
Home Depot	Vallarta Supermarket
IHOP	WSS
Jack in the Box	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$2,895,420	\$3,010,464
County Pool	358,316	396,761
State Pool	2,463	3,432
Gross Receipts	\$3,256,198	\$3,410,658
Less Triple Flip*	\$(814,050)	\$(852,664)
	\$1,560,251	\$1,679,430

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

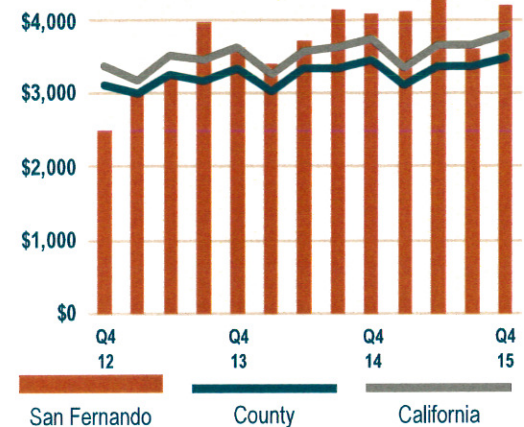
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

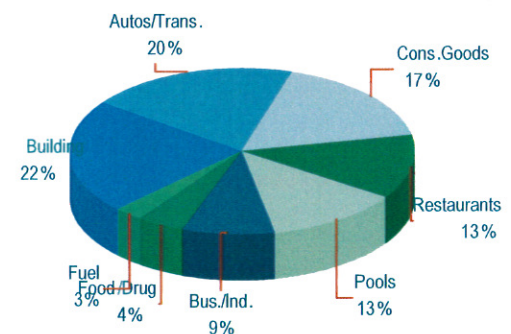
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

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
	Q4 '15*	Change	Change	Change
Art/Gift/Novelty Stores	—	CONFIDENTIAL	11.4%	4.0%
Automotive Supply Stores	26.5	6.9%	5.1%	5.2%
Casual Dining	35.5	14.4%	8.5%	5.7%
Contractors	34.5	-10.8%	12.2%	11.5%
Discount Dept Stores	—	CONFIDENTIAL	3.8%	3.0%
Electrical Equipment	—	CONFIDENTIAL	2.7%	-13.2%
Electronics/Appliance Stores	20.8	15.4%	-2.7%	0.7%
Grocery Stores Liquor	35.5	9.5%	0.9%	0.6%
Lumber/Building Materials	—	CONFIDENTIAL	10.7%	10.1%
New Motor Vehicle Dealers	—	CONFIDENTIAL	7.4%	7.8%
Plumbing/Electrical Supplies	—	CONFIDENTIAL	0.8%	9.6%
Quick-Service Restaurants	105.1	1.5%	6.1%	8.1%
Repair Shop/Equip. Rentals	31.7	-32.2%	-4.8%	2.4%
Service Stations	—	CONFIDENTIAL	-9.9%	-10.5%
Used Automotive Dealers	—	CONFIDENTIAL	7.6%	9.6%
Total All Accounts	1,030.6	4.2%	1.6%	2.4%
County & State Pool Allocation	150.5	9.9%	7.2%	10.8%
Gross Receipts	1,181.1	4.9%	2.3%	3.5%