

Q2 2016



San Fernando Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

San Fernando In Brief

San Fernando's receipts from April through June were 8.1% above the second sales period in 2015.

The double-digit increase in general consumer goods was due to a non-recurring adjustment in electronics/appliance stores. Conversely, a reporting error understated the gain in autos and transportation. Once onetime events were removed, this group rose 22.2%.

The rise in the City's share of the countywide use tax allocation pool added to gross receipts overall.

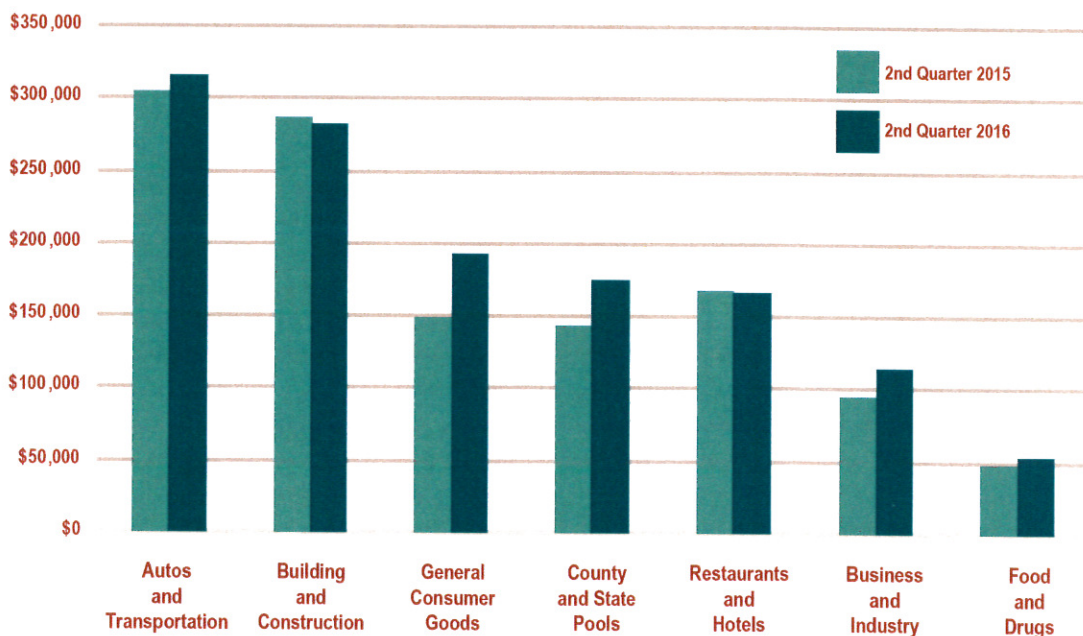
Both business and industry and food and drugs made a strong showing which surpassed regional trends.

Lower prices dampened returns in service stations.

Receipts from the City's voter-approved transactions tax, Measure A, were almost 10% higher than a year ago. Auto-related and business to business sales contributed to the gain.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,096,423	\$1,165,236
County Pool	142,613	174,914
State Pool	923	409
Gross Receipts	\$1,239,959	\$1,340,559
Less Triple Flip*	\$(309,990)	\$0
	\$558,209	\$613,243

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

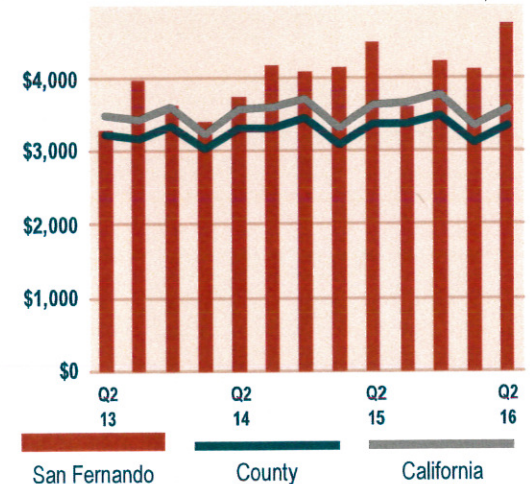
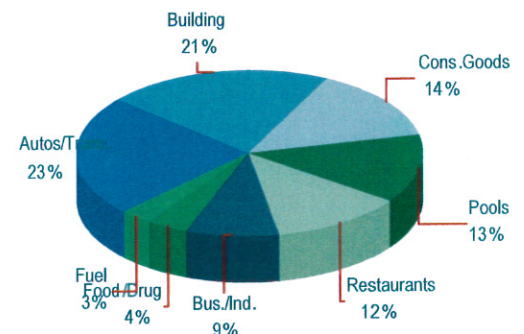
Expand the Base / Lower the Rate:

Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA**REVENUE BY BUSINESS GROUP**
San Fernando This Quarter**SAN FERNANDO TOP 15 BUSINESS TYPES**

Business Type	San Fernando		County	HdL State
	Q2 '16*	Change	Change	Change
Auto Lease	— CONFIDENTIAL —		16.5%	20.6%
Auto Repair Shops	16.8	10.6%	4.7%	4.7%
Automotive Supply Stores	27.2	-10.7%	-2.4%	1.6%
Casual Dining	42.1	-6.3%	6.4%	4.2%
Contractors	38.5	-0.9%	10.1%	6.4%
Discount Dept Stores	— CONFIDENTIAL —		0.4%	0.7%
Electronics/Appliance Stores	46.4	527.7%	29.8%	22.4%
Grocery Stores Liquor	34.9	9.6%	2.2%	1.2%
Lumber/Building Materials	— CONFIDENTIAL —		3.7%	2.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-0.6%	2.7%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		10.7%	7.7%
Quick-Service Restaurants	110.2	6.5%	6.1%	6.7%
Repair Shop/Equip. Rentals	34.9	17.4%	6.0%	4.5%
Service Stations	35.8	-14.8%	-20.5%	-19.2%
Used Automotive Dealers	— CONFIDENTIAL —		4.6%	10.9%
Total All Accounts	1,165.2	6.3%	0.1%	-0.6%
County & State Pool Allocation	175.3	22.1%	15.1%	15.2%
Gross Receipts	1,340.6	8.1%	1.9%	1.4%