Q4 2018

San Fernando Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

San Fernando In Brief

San Fernando's receipts from October through December were 2.9% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were down 1.7%.

Outstanding performance in building and construction related activity was boosted by recent additions. Onetime use tax related to equipment purchases combined with new businesses accounted for the spike in the business-industrial group.

Payments related to prior quarters, reporting issues and new stores boosted returns in both food and drugs and restaurants.

A business closure offset gains in other sectors in the holiday quarter compared to a year ago.

Measure A, the voter-approved half cent transactions tax, was adversely impacted by reporting errors and the closure of a major retailer.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.2% over the comparable time period; the Southern California region was up 2.6%.

Sales Tax by Major Business Group

Top 25 Producers

In Alphabetical Order

- Ally Financial
- Arco
- Arroyo Building Materials
- Casco
- CCAP Auto Lease
- El Pollo Loco
- El Super
- Ferguson Enterprises
- Goodman Distribution
- Home Depot
- IHOP
- Legacy Effects
- Malbros Ready Mix Concrete
- McDonald's
- Nachos Ornamental Supply
- One Step GPS
- Pool & Electrical Products
- Rydell Chrysler Dodge Jeep Ram
- Smart & Final
- T Mobile
- TMB Production Supplies & Services
- Truman 76
- Vallarta Supermarket
- Walgreens
- WSS

Revenue Comparison

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	$2,338,826	$2,553,550
County Pool	331,936	358,808
State Pool	1,265	1,279
Gross Receipts	**$2,672,027**	**$2,913,637**
Measure A	$1,365,964	$1,445,860

Published by HdL Companies in Spring 2019
www.hdlcompanies.com | 888.861.0220

NOTES

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

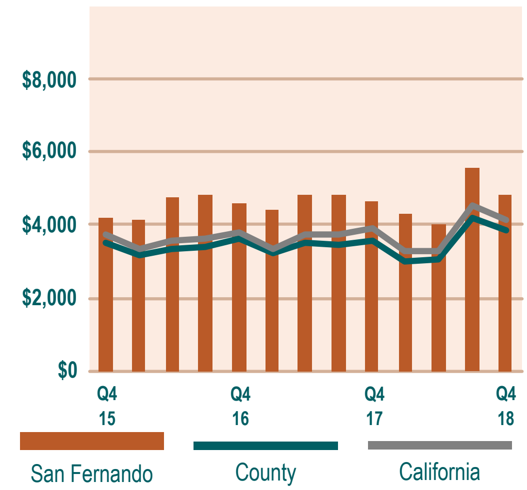
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

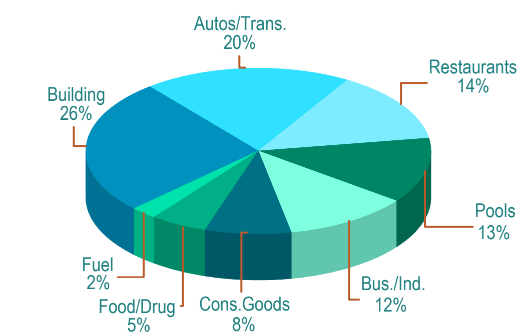
With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

Sales Per Capita



Revenue By Business Group

San Fernando This Quarter



San Fernando Top 15 Business Types

*In thousands of dollars	San Fernando		County	HdL State
Business Type	Q4 '18*	Change	Change	Change
Automotive Supply Stores	24.0	2.1%	4.5%	2.9%
Building Materials	— CONFIDENTIAL —		8.1%	5.5%
Business Services	— CONFIDENTIAL —		-8.6%	14.8%
Casual Dining	53.1	12.3%	2.7%	2.6%
Contractors	62.2	68.3%	22.2%	17.5%
Drug Stores	— CONFIDENTIAL —		14.5%	21.9%
Electronics/Appliance Stores	32.6	-3.5%	3.3%	-1.6%
Grocery Stores	37.4	1.2%	-19.3%	-11.7%
Heavy Industrial	19.6	105.6%	-2.3%	5.8%
Motion Pictures/Equipment	— CONFIDENTIAL —		10.4%	5.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —		5.4%	5.8%
Plumbing/Electrical Supplies	56.9	-5.7%	4.5%	8.9%
Quick-Service Restaurants	116.9	5.4%	7.0%	6.7%
Service Stations	32.7	-0.2%	28.4%	28.5%
Shoe Stores	— CONFIDENTIAL —		2.4%	1.8%
Total All Accounts	**1,181.6**	**2.8%**	**9.0%**	**7.0%**
County & State Pool Allocation	**173.2**	**2.9%**	**9.0%**	**8.6%**
Gross Receipts	**1,354.7**	**2.9%**	**9.0%**	**7.2%**