

# Q2 2016



# City of Glendale Sales Tax Update

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

## Glendale In Brief

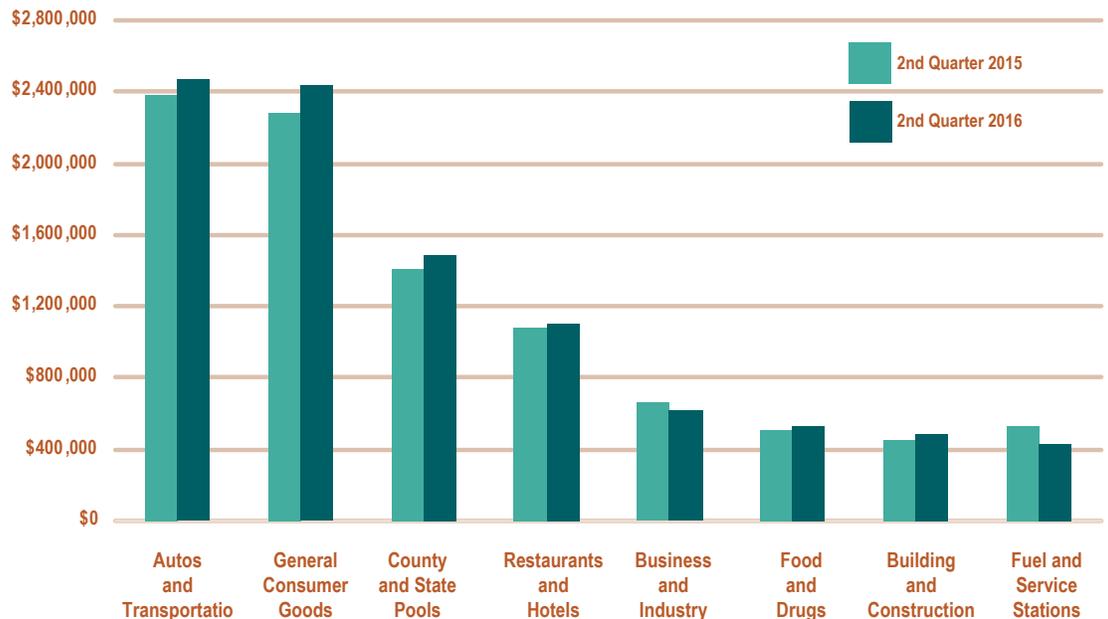
Glendale's receipts from April through June were 2.8% below 2015's second quarter results. Excluding reporting aberrations, actual sales were down 1.1%.

Declines were partly due to a shift from place of sale reporting to distributions through the state's system of countywide use tax pools. Decreases in the business and industry and fuel and service station categories were also factors in the overall decline though recoveries from the City's on-going audit activities reduced the impact of weak business and industry sales.

Receipts from the autos and transportation group were buoyed by a retroactive accounting adjustment in the auto lease group; a onetime negative accounting adjustment in the comparison quarter inflated results from the building and construction category. Conversely onetime reporting aberrations caused the restaurants comparison to be understated.

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

Allen Gwynn Chevrolet	Home Depot
Apple	JC Penney
Bloomingdales	Lexus of Glendale
Bob Smith Toyota	Macys
Calstar Mercedes	Nordstrom
Car Pros Kia Glendale	Pacific BMW
Diamond Honda of Glendale	Pirch
Financial Services Vehicle Trust	Ralphs
Glendale Dodge Chrysler Jeep	Star Ford Lincoln
Glendale Nissan Infiniti	Target
Glendale Subaru/Mitsubishi	Toyota Lease Trust
	Toyota of Glendale Scion
	Video Equipment Rental
	Vons

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
<b>Point-of-Sale</b>	\$7,878,155	\$8,070,176
<b>County Pool</b>	1,401,960	1,479,635
<b>State Pool</b>	9,073	3,458
<b>Gross Receipts</b>	<b>\$9,289,189</b>	<b>\$9,553,268</b>
<b>Less Triple Flip*</b>	\$(3,047,359)	\$0

\*Reimbursed from county compensation fund

**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:**

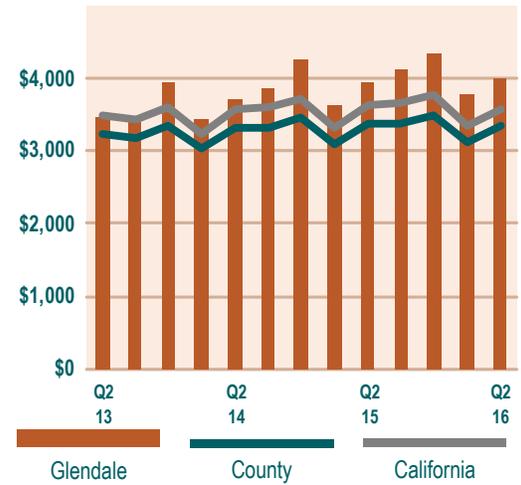
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options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

**Allocate to Place of Consumption:**

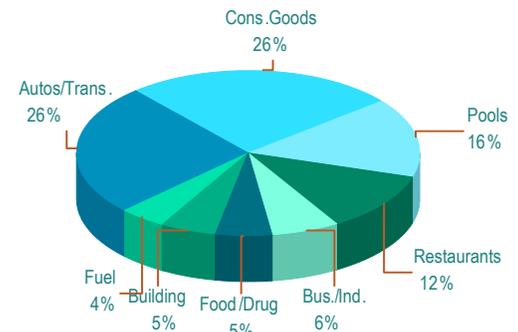
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction 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**  
Glendale This Quarter



**GLENDALE TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Glendale Q2 '16*	Glendale Change	County Change	HdL State Change
Auto Lease	520.0	34.6%	16.5%	20.6%
Casual Dining	478.3	1.6%	6.7%	4.4%
Department Stores	545.2	0.3%	-0.9%	-4.3%
Discount Dept Stores	— CONFIDENTIAL —		0.4%	0.7%
Electronics/Appliance Stores	340.7	15.7%	29.9%	22.3%
Family Apparel	432.4	0.5%	3.5%	4.3%
Grocery Stores Liquor	209.6	4.3%	2.2%	1.1%
Lumber/Building Materials	212.7	2.6%	3.7%	3.3%
Motion Pictures/Equipment	— CONFIDENTIAL —		-2.9%	-13.9%
New Motor Vehicle Dealers	1,662.9	-1.7%	-0.6%	2.7%
Plumbing/Electrical Supplies	155.7	15.4%	10.4%	7.6%
Quick-Service Restaurants	424.7	2.1%	6.1%	6.6%
Service Stations	427.7	-18.8%	-20.5%	-19.2%
Specialty Stores	243.0	-2.2%	-0.6%	2.4%
Women's Apparel	214.5	40.2%	4.3%	1.9%
<b>Total All Accounts</b>	<b>8,070.2</b>	<b>2.4%</b>	<b>0.1%</b>	<b>-0.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,483.1</b>	<b>5.1%</b>	<b>15.1%</b>	<b>15.2%</b>
<b>Gross Receipts</b>	<b>9,553.3</b>	<b>2.8%</b>	<b>1.9%</b>	<b>1.4%</b>