

Q1 2017



City of Glendale Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2017)

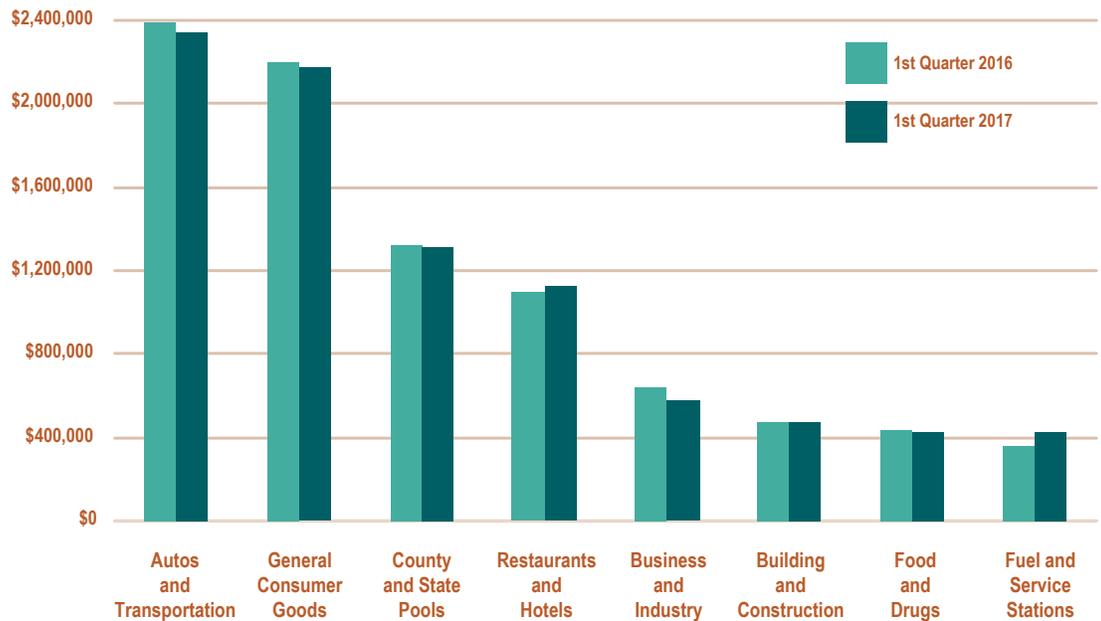
Glendale In Brief

Glendale's allocation of sales and use tax from its January through March sales was 0.6% lower than the first quarter of 2015. Actual sales activity was up 0.5% after accounting anomalies that deflated comparisons within the business-industrial group are factored out.

Higher fuel prices and a solid quarter for auto leases and home furnishings were the primary contributors to the actual increase. The gains were largely offset by declining auto and department store sales and by a generally soft quarter for most categories of general consumer goods.

Adjusted for aberrations, sales and use tax receipts for all of Los Angeles County grew 2.1% over the comparable time period while Southern California as a whole, was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$32,390,932	\$33,313,238
County Pool	5,650,127	5,476,219
State Pool	30,540	30,559
Gross Receipts	\$38,071,599	\$38,820,017
Less Triple Flip*	\$ (9,312,234)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

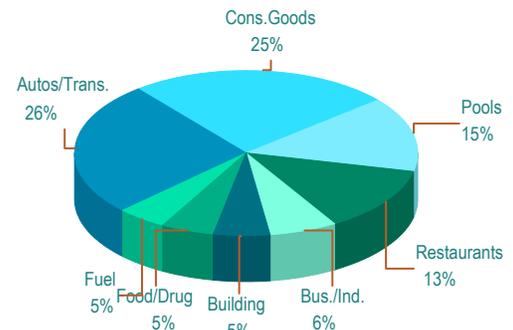
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Glendale This Quarter



GLENDALE TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Glendale Q1 '17*	Glendale Change	County Change	HdL State Change
Auto Lease	495.3	8.4%	1.6%	1.7%
Building Materials	223.4	3.3%	7.2%	3.1%
Casual Dining	481.3	0.4%	0.6%	0.4%
Convenience Stores/Liquor	131.4	3.0%	1.5%	3.7%
Department Stores	430.9	-5.4%	-4.1%	-6.5%
Discount Dept Stores	— CONFIDENTIAL —		2.5%	1.6%
Electronics/Appliance Stores	303.7	0.0%	0.1%	-0.3%
Family Apparel	391.6	-0.7%	-0.6%	0.8%
Grocery Stores	175.9	-7.1%	1.2%	0.5%
New Motor Vehicle Dealers	1,565.4	-5.2%	0.9%	4.4%
Plumbing/Electrical Supplies	153.2	1.1%	-1.7%	-1.5%
Quick-Service Restaurants	414.4	1.1%	4.9%	4.6%
Service Stations	426.1	18.9%	6.8%	10.0%
Specialty Stores	220.8	0.6%	2.1%	0.4%
Women's Apparel	176.5	-1.6%	-10.1%	-7.3%
Total All Accounts	7,527.9	-1.0%	2.6%	1.8%
County & State Pool Allocation	1,315.0	-0.6%	2.6%	2.9%
Gross Receipts	8,842.9	-0.9%	2.6%	1.9%