

Q2 2017



City of Glendale Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Glendale In Brief

Glendale's receipts from April through June were 2.8% above the second sales period in 2016.

The gain in new auto returns was due to non-recurring adjustments. However, a recently opened used auto dealership and the double digit rise in auto leasing pushed up overall auto-related receipts.

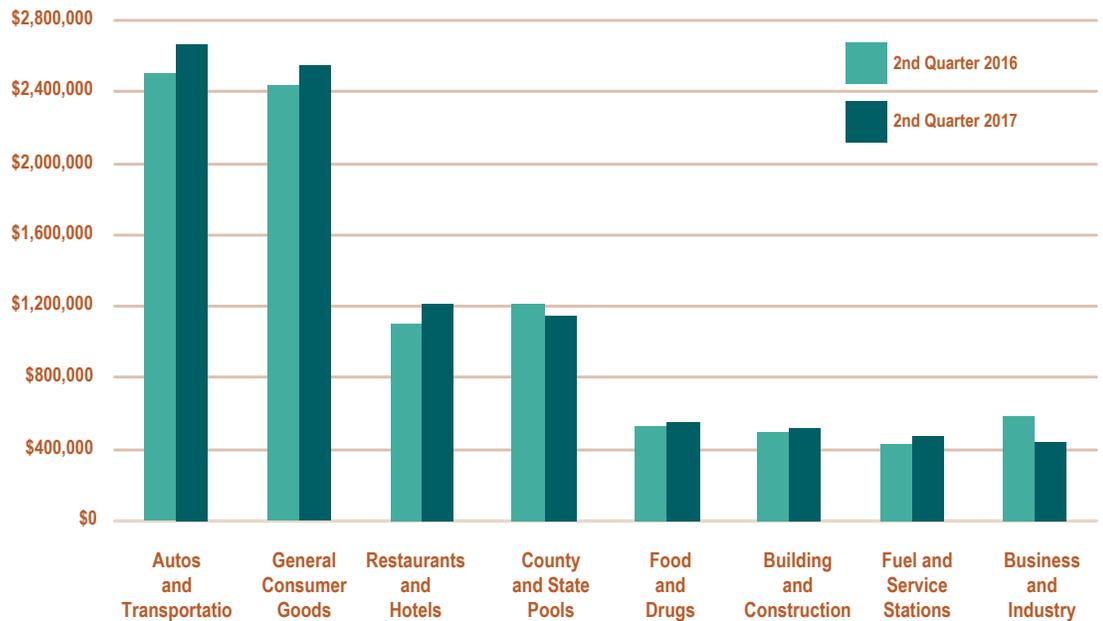
A multi-quarter correction in women's apparel bolstered returns in the general consumer goods group. Department stores continued to lose market share while other sectors outpaced regional trends including electronics and specialty stores. A new store added to the already high performing family apparel category.

Recent openings and double payments boosted proceeds in restaurants as a whole.

A onetime allocation that overstated year ago receipts accounted for the decline in the countywide use tax allocation pool. Deductions to correct prior errors exacerbated lower results in business to business sales.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

4Over	JC Penney
Allen Gwynn Chevrolet	Lexus of Glendale
Apple	Macys
Bloomingdales	Nordstrom
Bob Smith Toyota	Pacific BMW
Calstar Mercedes	Pin Up Girl
Car Pros Kia Glendale	Pirch
Financial Services Vehicle Trust	Ralphs
Glendale Dodge Chrysler Jeep	Star Ford Lincoln
Glendale Nissan Infiniti	Subaru of Glendale
Home Depot	Target
	Toyota Lease Trust
	Toyota of Glendale Scion
	United Oil

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$9,856,966	\$12,107,467
County Pool	1,211,419	1,148,059
State Pool	3,458	(6,331)
Gross Receipts	\$11,071,842	\$13,249,194
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

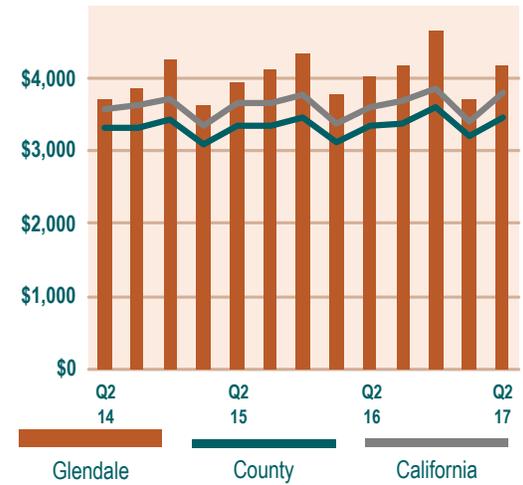
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

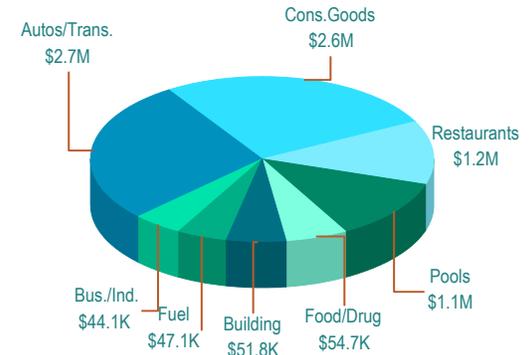
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Glendale This Quarter



GLENDALE TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Glendale		County	HdL State
	Q2 '17*	Change	Change	Change
Auto Lease	608.9	17.5%	12.9%	15.5%
Building Materials	234.3	6.7%	6.2%	6.0%
Casual Dining	525.8	7.3%	3.0%	2.1%
Convenience Stores/Liquor	158.7	9.7%	5.0%	5.2%
Department Stores	536.0	-1.5%	0.0%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —		3.3%	3.2%
Electronics/Appliance Stores	357.8	5.0%	0.4%	0.2%
Family Apparel	462.1	6.4%	4.4%	4.0%
Grocery Stores	261.0	-1.6%	2.0%	2.1%
New Motor Vehicle Dealers	1,685.2	1.7%	2.7%	3.2%
Plumbing/Electrical Supplies	174.2	11.8%	4.9%	3.7%
Quick-Service Restaurants	418.1	2.9%	5.5%	5.8%
Service Stations	470.9	10.9%	9.5%	8.6%
Specialty Stores	251.5	4.6%	1.1%	1.0%
Women's Apparel	247.1	21.3%	-4.8%	-4.0%
Total All Accounts	8,404.8	4.1%	4.3%	6.3%
County & State Pool Allocation	1,141.7	-6.0%	-5.7%	-10.0%
Gross Receipts	9,546.6	2.8%	3.0%	4.0%