

Q1 2018



City of Glendale Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Glendale In Brief

Glendale's receipts from January through March were 44.3% above the first sales period in 2017. Excluding reporting aberrations, actual sales were up 9.4%.

A multi-quarter adjustment temporarily spiked returns in new autos and increased the City's share of the countywide use tax allocation pool.

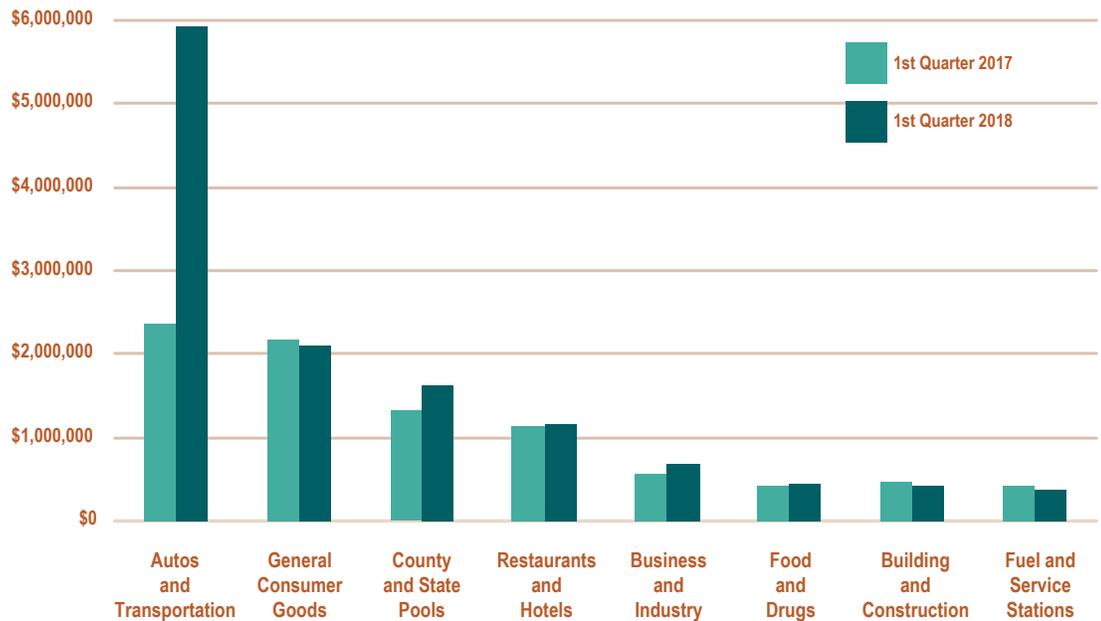
Recent openings in casual dining boosted positive growth in restaurants and hotels overall.

Delayed allocations due to the State's transition to a new software system reduced post-holiday results in general consumer goods. Department stores, family apparel and electronics were on the upside once adjusted for missing payments.

Onetime events that inflated year ago results accounted for the drop in the business and industry group.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.4% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allen Gwynn Chevrolet	JC Penney
Apple	Lexus of Glendale
Bloomingdales	Macys
Bob Smith Toyota	Marshalls
Calstar Mercedes	New Century Honda
Car Pros Kia Glendale	Nordstrom
Citicorp Leasing	Pacific BMW
CVS Pharmacy	Star Ford Lincoln
Glendale Dodge Chrysler Jeep	Target
Glendale Hyundai	Tesoro Refining & Marketing
Glendale Subaru/Mitsubishi	Toyota of Glendale Scion
Home Depot	Universal City Nissan
	Vons

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$33,313,238	\$36,734,268
County Pool	5,476,219	3,719,101
State Pool	30,559	9,448
Gross Receipts	\$38,820,017	\$40,462,817

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

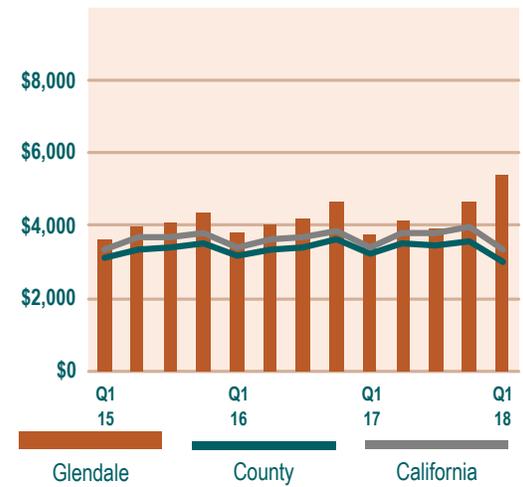
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

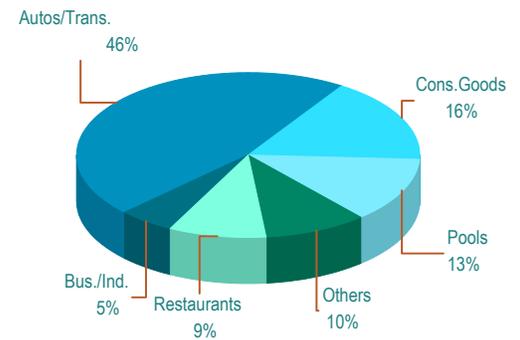
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

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
	Q1 '18*	Change	Change	Change
Building Materials	210.9	-5.6%	-3.0%	3.8%
Business Services	— CONFIDENTIAL —	—	-17.7%	-17.2%
Casual Dining	575.7	4.6%	-1.1%	-2.0%
Convenience Stores/Liquor	144.2	10.3%	2.0%	0.7%
Department Stores	395.0	-8.2%	-33.0%	-35.1%
Discount Dept Stores	— CONFIDENTIAL —	—	2.7%	2.8%
Electronics/Appliance Stores	325.8	7.3%	-3.0%	1.1%
Family Apparel	392.9	2.3%	9.6%	8.4%
Grocery Stores	178.6	1.8%	8.9%	1.9%
New Motor Vehicle Dealers	5,622.6	260.3%	-1.2%	-0.2%
Plumbing/Electrical Supplies	150.9	-1.5%	10.0%	11.5%
Quick-Service Restaurants	391.1	-2.8%	-4.1%	-3.8%
Service Stations	371.4	-12.9%	-3.9%	4.6%
Specialty Stores	218.9	-0.8%	-10.9%	-10.1%
Women's Apparel	146.7	-16.9%	-2.3%	-6.4%
Total All Accounts	11,116.4	47.7%	-5.9%	-1.8%
County & State Pool Allocation	1,639.6	24.7%	-10.3%	-2.1%
Gross Receipts	12,756.0	44.3%	-6.4%	-1.8%