

Q1 2019



City of Glendale Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Glendale In Brief

Glendale's receipts from January through March were 22.1% below the first sales period in 2018. The decline was primarily the result of a large payment correction by a new car vendor to properly record sales activity dating back several years. Adjusted for proper payment timing, sales were down 4.6%.

A 31% drop in allocations from the countywide use tax pool was the largest factor in the overall decline. The pool is divided proportionately among county agencies based on point-of-sale receipts and the large payment correction had the additional impact of temporarily reducing the City's share of the pool.

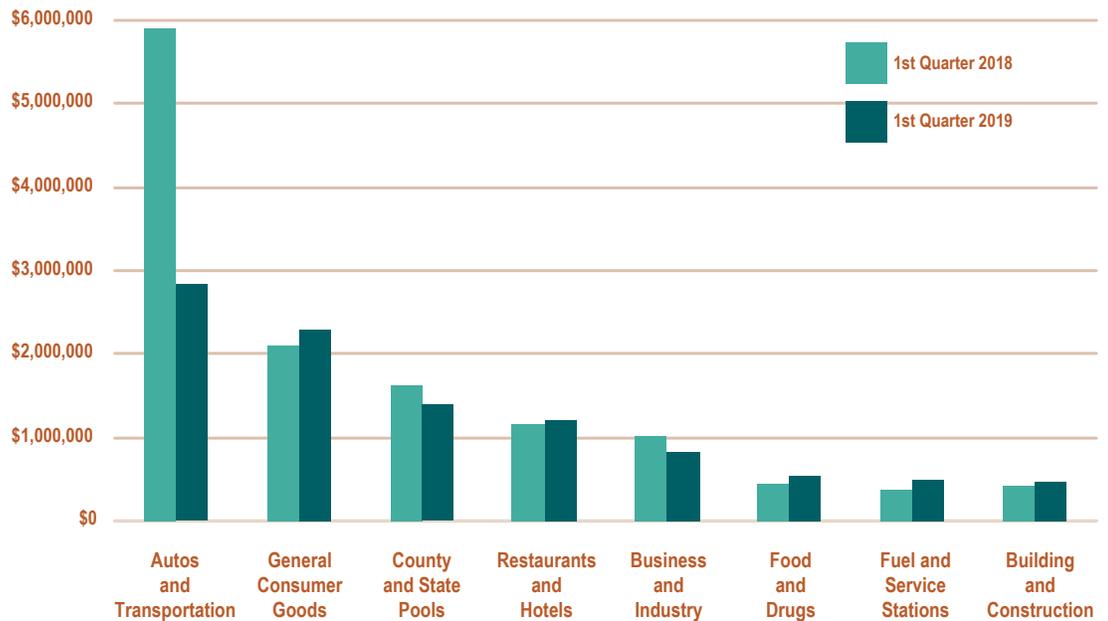
Service station and department store receipts were also down.

Conversely, new car and auto lease related revenue were up. A suspected misallocation in the comparison year appears to have lifted the building material category. A possible misallocation may have also inflated the electronics/appliance store group.

Measure S, the voter-approved transactions tax, became effective April 1st, 2019.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.9% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allen Gwynn Chevrolet	Hyundai Lease Titling Trust
Apple	Lexus of Glendale
Bloomington's	New Century Honda
Calstar Mercedes	Nordstrom
Car Pros Kia Glendale	Pacific BMW
CDW Direct	Sephora
CDW Government	Star Auto Group
Daimler Trust	Target
Financial Services Vehicle Trust	Tesla Motors
Glendale Dodge Chrysler Jeep	Toyota Lease Trust
Glendale Subaru/Mitsubishi	Toyota of Glendale Scion
Home Depot	United Oil
	Vons

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$15,632,567	\$30,713,925
County Pool	2,065,281	4,407,287
State Pool	15,779	15,981
Gross Receipts	\$17,713,627	\$35,137,194

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

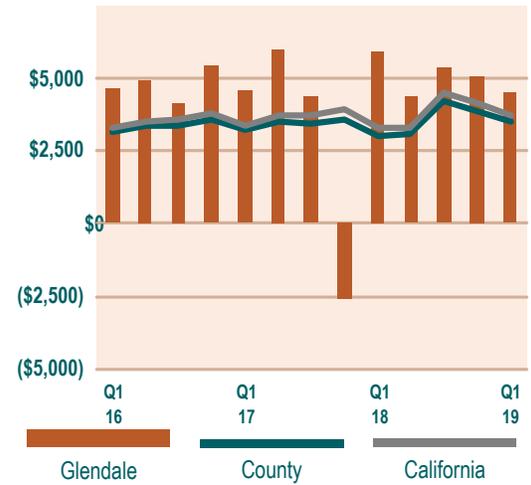
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

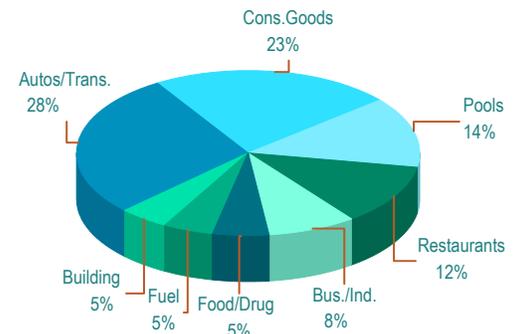
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

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 '19*	Change	Change	Change
Auto Lease	— CONFIDENTIAL —	—	na	na
Building Materials	238.7	13.2%	3.9%	4.0%
Casual Dining	621.8	7.3%	14.8%	13.3%
Department Stores	334.5	-15.3%	38.4%	35.0%
Electronics/Appliance Stores	471.8	44.5%	-8.0%	-3.3%
Family Apparel	406.6	3.9%	2.7%	7.1%
Grocery Stores	242.2	35.3%	42.4%	25.7%
New Motor Vehicle Dealers	1,798.9	-68.0%	-0.4%	-1.9%
Office Supplies/Furniture	— CONFIDENTIAL —	—	3.5%	-0.4%
Plumbing/Electrical Supplies	171.4	13.6%	6.9%	4.6%
Quick-Service Restaurants	390.4	3.4%	8.3%	10.0%
Receivables/Master Outlets	— CONFIDENTIAL —	—	53.8%	156.2%
Service Stations	497.1	34.0%	21.9%	15.7%
Specialty Stores	296.4	35.2%	29.5%	23.3%
Women's Apparel	160.7	9.5%	0.6%	6.6%
Total All Accounts	9,328.8	-23.2%	16.5%	13.5%
County & State Pool Allocation	1,402.1	-14.5%	29.8%	23.8%
Gross Receipts	10,730.9	-22.1%	18.1%	14.9%