

Q3 2018



City of Glendale Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Glendale In Brief

Glendale's receipts from July through September were 24.9% above the third sales period in 2017. This dramatic rise is mostly attributed to CDTFA's transition to a new reporting system where multiple returns not processed in the prior period were received with this quarter's allocations. Once all remittances were shown correctly, actual sales in the current period were up 5.1%.

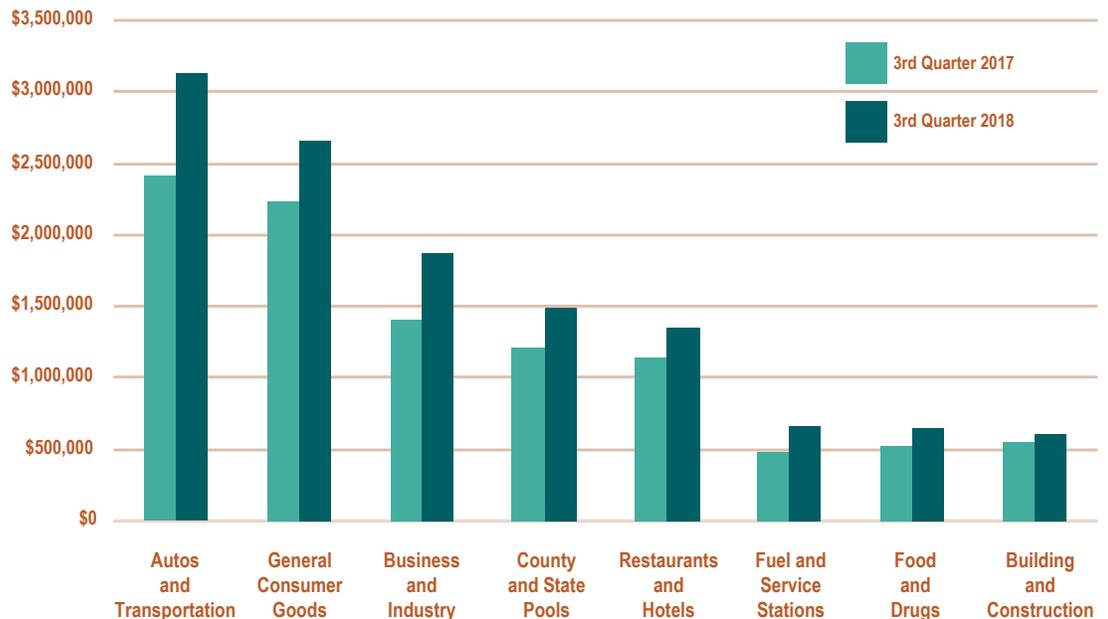
The boost in auto sales revenue was largely due to a single manufacturer filling back orders. Remaining local dealers pulled back slightly compared to prior year peaks. Solid gains from office supply-furniture merchants was largely responsible for business-industry growth.

Steady price increases at the pump, mostly due to the global cost of crude oil and implementation of SB-1 locally, also pushed gas station receipts higher.

Once adjusted, general goods and restaurants experienced lackluster results as consumers are afforded multiple options and opportunities for both shopping and dining.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.0% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$8,748,356	\$10,952,801
County Pool	1,205,326	1,486,657
State Pool	6,846	5,621
Gross Receipts	\$9,960,528	\$12,445,079

California Overall

The CDTEA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

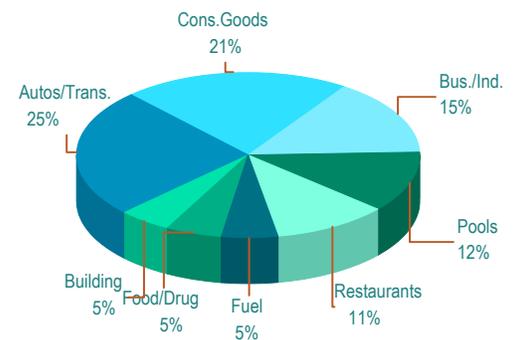
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Glendale This Quarter



GLENDALE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Glendale Q3 '18*	Glendale Change	County Change	HdL State Change
Auto Lease	805.7	46.1%	44.8%	43.4%
Building Materials	338.7	35.0%	36.3%	29.8%
Casual Dining	660.1	17.0%	16.3%	14.9%
Department Stores	490.3	26.9%	-1.5%	-3.6%
Discount Dept Stores	— CONFIDENTIAL —		17.9%	18.3%
Electronics/Appliance Stores	318.3	2.5%	9.7%	12.4%
Family Apparel	558.8	22.0%	36.4%	36.3%
Grocery Stores	318.5	28.0%	22.4%	16.1%
New Motor Vehicle Dealers	1,982.2	30.4%	12.1%	12.7%
Office Supplies/Furniture	1,273.0	39.1%	27.9%	9.3%
Plumbing/Electrical Supplies	210.1	14.4%	11.9%	15.9%
Quick-Service Restaurants	473.0	16.5%	11.6%	13.4%
Service Stations	659.0	38.4%	43.8%	43.1%
Specialty Stores	288.3	22.4%	12.4%	8.5%
Women's Apparel	195.9	12.8%	17.3%	13.7%
Total All Accounts	10,952.8	25.2%	21.7%	21.8%
County & State Pool Allocation	1,492.3	23.1%	19.7%	27.8%
Gross Receipts	12,445.1	24.9%	21.5%	22.6%