

Q4 2018



City of Glendale Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Glendale In Brief

Glendale's receipts from October through December were 298.3% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 34.5%.

The extraordinary jump in this quarter's allocation was due to two factors. A correction to re-allocate returns statewide pulled down year-ago receipts in the business-industrial group. In addition, due to the enormity of the amount this onetime event dragged down the City's portion of the countywide use tax allocation pool.

State induced adjustments as a result of recurring software conversion issues, flattened auto-related performance. Once restored, this group as a whole was up 12.1% boosted by higher new and used auto sales.

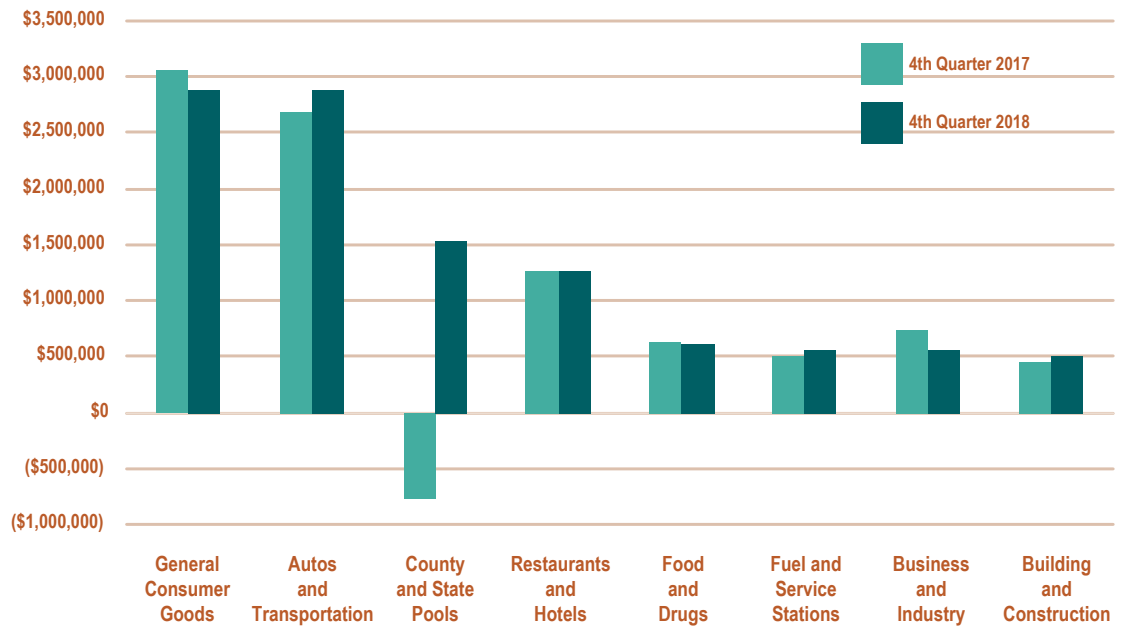
Sustained fuel prices lifted service station proceeds while building-construction outperformed the region.

A combination of reporting errors, missing payments and closures hindered holiday retail sales.

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

Net of aberrations, taxable sales for all of Los Angeles County grew 3.2% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Macys
Car Pros Kia Glendale	Marshalls
CDW Direct	New Century Honda
CDW Government	Nordstrom
Financial Services Vehicle Trust	Pacific BMW
Glendale Dodge Chrysler Jeep	Ross
Glendale Subaru/Mitsubishi	Star Auto Group
Home Depot	Target
Hyundia Lease Titling Trust	Tesla Motors
JC Penney	Toyota Lease Trust
Lexus of Glendale	Toyota of Glendale Scion
	United Oil
	Victory Chevron
	Vons

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$3,488,185	\$21,385,148
County Pool	436,186	3,010,451
State Pool	5,320	10,700
Gross Receipts	\$3,929,691	\$24,406,300

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

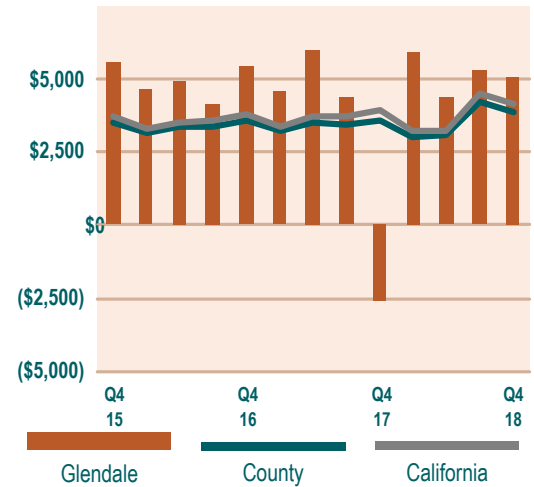
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

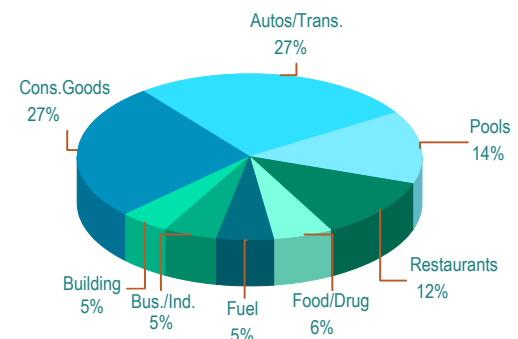
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

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
	Q4 '18*	Change	Change	Change
Auto Lease	607.3	-2.1%	-7.4%	-11.4%
Building Materials	246.5	2.2%	8.1%	5.5%
Casual Dining	617.5	2.1%	2.6%	2.5%
Convenience Stores/Liquor	206.5	7.6%	2.7%	2.7%
Department Stores	590.5	-17.9%	-5.8%	-3.4%
Electronics/Appliance Stores	438.4	-0.2%	3.3%	-1.6%
Family Apparel	523.8	-7.5%	1.6%	0.5%
Grocery Stores	245.0	-19.9%	-19.3%	-11.7%
New Motor Vehicle Dealers	1,939.4	9.0%	5.4%	5.8%
Plumbing/Electrical Supplies	192.6	29.0%	4.4%	8.8%
Quick-Service Restaurants	445.0	7.5%	7.0%	6.6%
Receivables/Master Outlets	— CONFIDENTIAL —		113.0%	135.1%
Service Stations	565.4	10.8%	28.4%	28.5%
Specialty Stores	259.6	-13.4%	-10.7%	-10.7%
Women's Apparel	226.7	8.3%	-0.4%	-3.6%
Total All Accounts	10,432.3	298.3%	9.0%	7.0%
County & State Pool Allocation	1,528.9	298.4%	9.0%	8.6%
Gross Receipts	11,961.2	298.3%	9.0%	7.2%