

Q2 2014



City of Glendale Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Glendale In Brief

Receipts for Glendale's April through June sales were 21.0% higher than the same quarter one year ago. However, a potentially limited allocation in business and industry spiked returns. When these proceeds were removed, actual sales activity rose 8.9%.

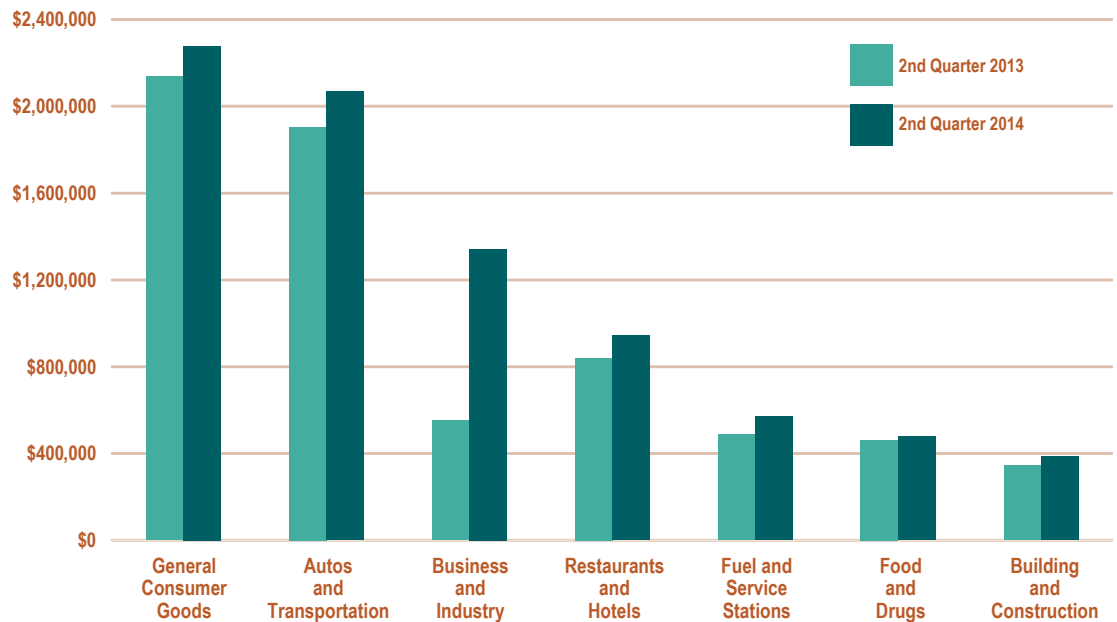
All seven major business groups were on the plus side compared to a year ago. These gains were boosted by new businesses in department stores, home furnishings, specialty stores new motor vehicles and casual dining.

A partial payment that depressed the comparison period overstated the rise in service stations.

In addition, the increase in the countywide use tax allocation pool contributed to higher gross receipts.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 5.5% over the comparable time period, while the Southern California region as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allen Gwynn Chevrolet	Home Depot
Apple	JC Penney
Bloomingdales	Lexus of Glendale
Bob Smith Toyota	Macys
Calstar Mercedes	Nordstrom
CDW Direct	Pacific BMW
DGI Supply	Ralphs
Diamond Honda	Star Ford Lincoln
Financial Services Vehicle Trust	Target
Glendale Dodge Chrysler Jeep	Tesoro Refining & Marketing
Glendale Nissan Infiniti	Toyota of Glendale Scion
Glendale Subaru/Mitsubishi	Video Equipment Rental
	Vons

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$6,729,646	\$8,067,146
County Pool	703,698	925,684
State Pool	4,625	6,111
Gross Receipts	\$7,437,970	\$8,998,941
Less Triple Flip*	\$(1,859,492)	\$(2,249,735)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

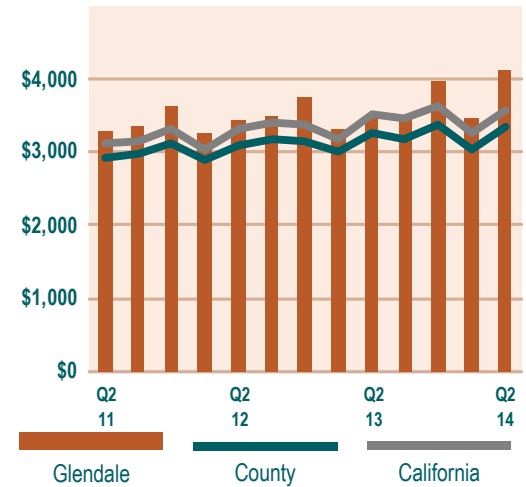
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

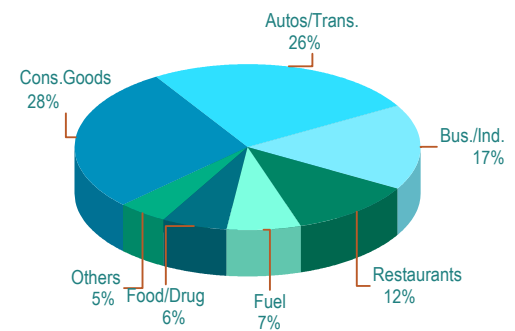
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Glendale This Quarter



GLENDALE TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Glendale Q2 '14*	Glendale Change	County Change	HdL State Change
Auto Lease	327.4	25.5%	8.8%	15.4%
Casual Dining	410.6	13.6%	5.0%	3.7%
Department Stores	549.4	24.1%	1.7%	2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	2.9%
Electronics/Appliance Stores	239.1	1.3%	1.3%	-1.0%
Family Apparel	417.2	5.9%	7.7%	9.6%
Grocery Stores Liquor	216.1	-2.5%	4.3%	5.7%
Home Furnishings	123.1	15.3%	6.8%	6.8%
Lumber/Building Materials	195.2	8.9%	9.1%	9.0%
New Motor Vehicle Dealers	1,463.0	6.6%	6.7%	7.4%
Office Supplies/Furniture	— CONFIDENTIAL —	—	38.3%	9.1%
Quick-Service Restaurants	370.7	6.2%	5.9%	6.7%
Service Stations	569.1	18.8%	5.6%	6.7%
Specialty Stores	239.5	11.0%	10.5%	7.7%
Women's Apparel	179.7	4.2%	0.8%	2.1%
Total All Accounts	\$8,067.1	19.9%	3.5%	2.8%
County & State Pool Allocation	\$931.8	31.5%	13.6%	12.7%
Gross Receipts	\$8,998.9	21.0%	4.5%	3.9%