

Q3 2016



City of Glendale Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Glendale In Brief

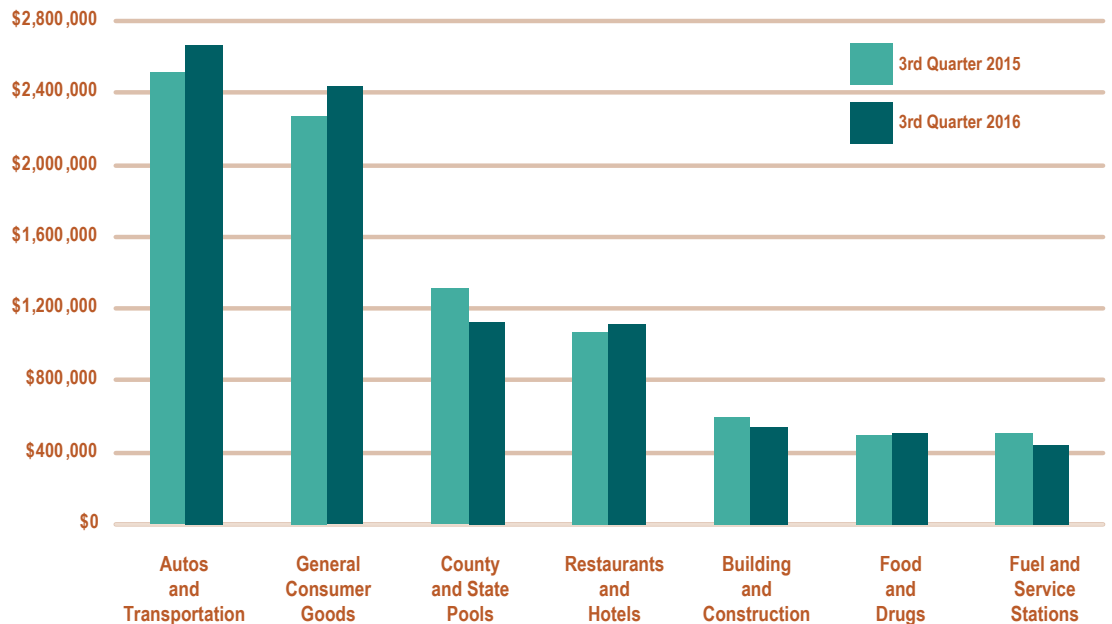
Glendale's receipts from July through September were 22.2% below the third sales period in 2015. The correction of local tax revenue previously allocated to the City was responsible for the dramatic decrease. Excluding this change, actual sales were flat.

Returns from business-industry merchants were down compared to prior year peaks, while soft summer sales by plumbing/electrical suppliers hurt building-construction. Weak global demand for crude oil and lower gas prices continued for the eighth straight quarter negatively impacting revenue from service stations.

The declines were partially offset by steady activity from auto-transportation dealers, however most of the increase came from leasing activity with purchases of new vehicles dropping 1.5%. Though general consumer goods experienced mixed results, the addition of women's and family apparel outlets and strong sales of electronics/appliances propelled the group to a solid gain.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.8% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allen Gwynn Chevrolet	Glendale Subaru/Mitsubishi
Apple	Home Depot
Bloomingdales	JC Penney
Bob Smith Toyota	Lexus of Glendale
Calstar Mercedes	Macys
Car Pros Kia Glendale	Nordstrom
Diamond Honda of Glendale	Pacific BMW
Financial Services Vehicle Trust	Pirch
General Electric Credit Corp Tenn	Star Ford Lincoln
Glendale Dodge Chrysler Jeep	Target
Glendale Nissan Infiniti	Toyota Lease Trust
	Toyota of Glendale Scion
	Video Equipment Rentals
	Vons

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$16,090,551	\$16,463,185
County Pool	2,711,749	2,601,589
State Pool	11,105	6,339
Gross Receipts	\$18,813,404	\$19,071,113
Less Triple Flip*	\$ (6,104,947)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

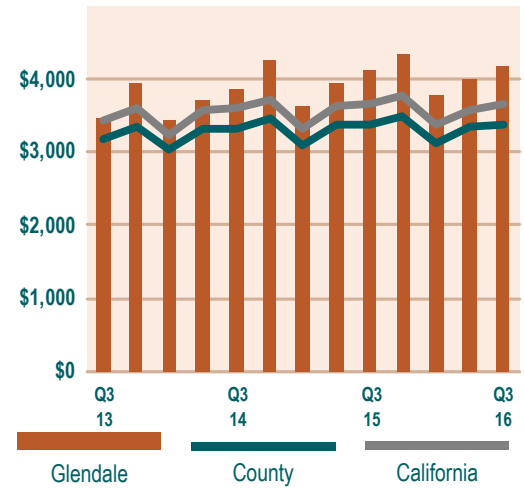
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

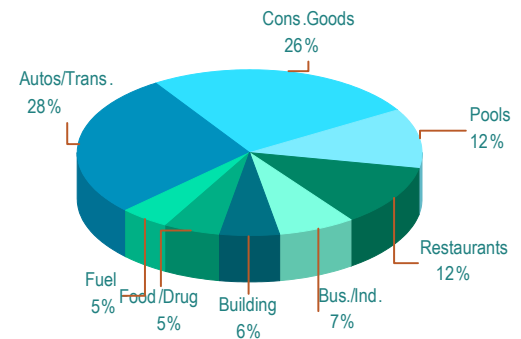
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Glendale This Quarter



GLENDALE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Glendale Q3 '16*	Glendale Change	County Change	HdL State Change
Auto Lease	491.4	21.9%	13.6%	14.9%
Casual Dining	463.0	-2.6%	5.0%	4.5%
Department Stores	514.9	-2.1%	1.1%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.4%	-0.4%
Electronics/Appliance Stores	349.8	7.6%	-0.3%	-1.5%
Family Apparel	424.2	1.0%	6.4%	5.9%
Grocery Stores	253.6	-1.0%	-6.7%	-2.1%
Lumber/Building Materials	242.9	14.5%	4.8%	6.9%
Motion Pictures/Equipment	— CONFIDENTIAL —	—	21.7%	25.1%
New Motor Vehicle Dealers	1,806.7	-1.5%	2.9%	4.8%
Plumbing/Electrical Supplies	169.2	-18.2%	1.7%	4.6%
Quick-Service Restaurants	441.9	10.3%	10.3%	8.9%
Service Stations	443.6	-12.3%	-18.3%	-13.8%
Specialty Stores	234.7	10.8%	3.2%	2.0%
Women's Apparel	201.7	31.1%	2.3%	2.8%
Total All Accounts	8,393.0	2.2%	0.3%	0.9%
County & State Pool Allocation	1,124.8	-14.3%	11.9%	11.5%
Gross Receipts	9,517.8	-0.1%	1.6%	2.2%