Q4 2016

City of Glendale Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Glendale In Brief

Glendale's receipts from October through December were 3.1% below the fourth sales period in 2015. Excluding reporting aberrations, actual sales were down 5.2%.

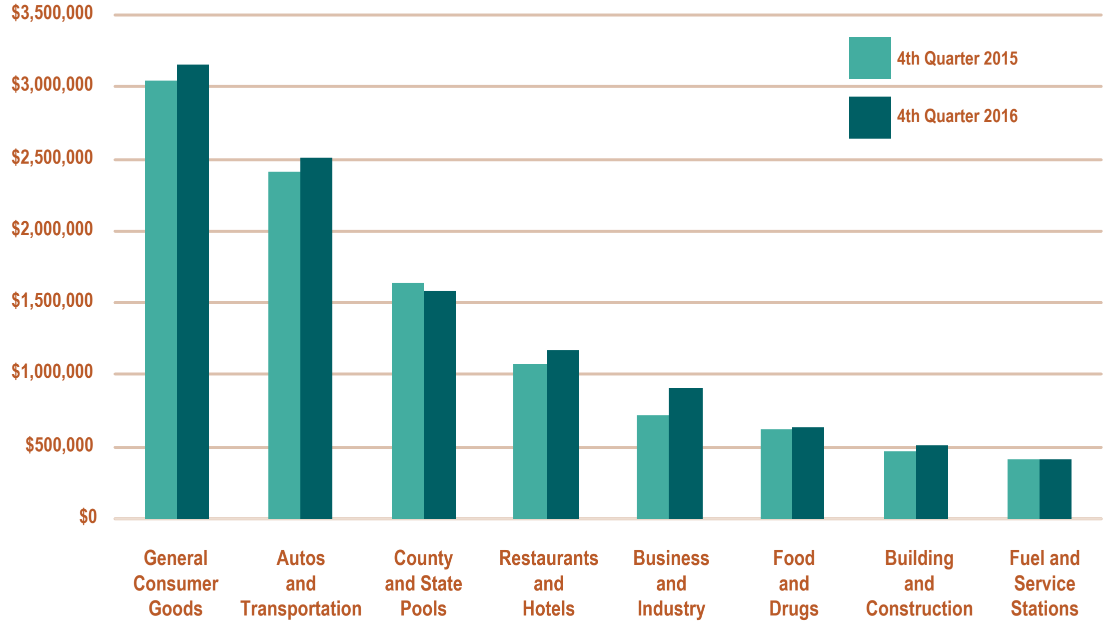
A correction of local tax revenue that was previously allocated to the City and has shifted to the county use tax pool was primarily responsible for the current decrease.

The losses were partially offset by a strong sales quarter for new motor vehicle dealers, auto leasing and electronics/appliance stores. Onetime payments temporarily inflated results from repair shop/equipment rentals.

Recent additions helped boost revenues from fast casual restaurants and women's apparel. A onetime accounting adjustment exaggerated results from contractor supplies.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.2% over the comparable time period; the Southern California region was up 1.4%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

Apple	Gwynn Chevrolet
Bloomingdales	Home Depot
Bob Smith Toyota	JC Penney
Calstar Mercedes	Lexus of Glendale
Car Pros Kia	Macys
Diamond Honda of Glendale	Nordstrom
Financial Services Vehicle Trust	Pacific BMW
First Amer Commercial Bancorp	Pirch
Glendale Dodge Chrysler Jeep	Ralphs
Glendale Nissan Infiniti	Star Ford Lincoln
Glendale Subaru/ Mitsubishi	Target
	Toyota Lease Trust
	Toyota of Glendale Scion
	Vons

Revenue Comparison

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	$24,790,665	$25,785,376
County Pool	4,321,166	4,174,297
State Pool	36,576	17,476
Gross Receipts	**$29,148,407**	**$29,977,149**
Less Triple Flip*	$(9,312,234)	$0

**Reimbursed from county compensation fund*

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NOTES

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the countywide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

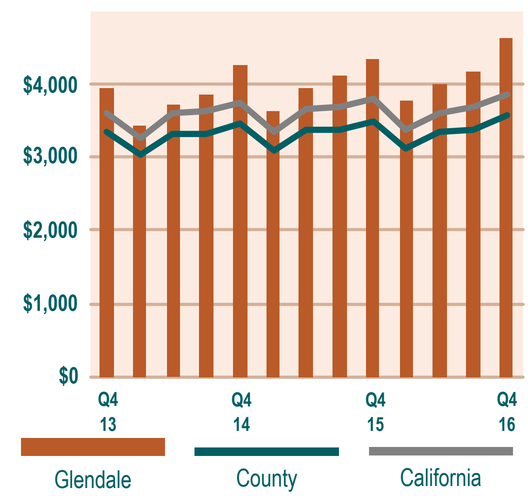
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary "pop-up" shops and subleasing in-store space to others are on the rise.

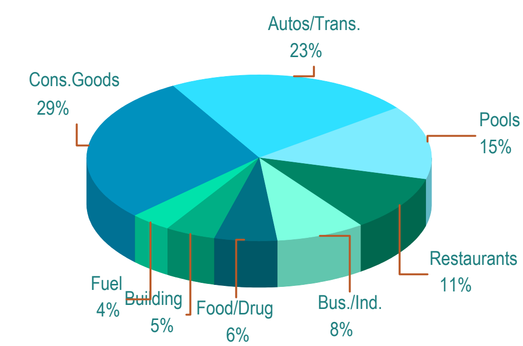
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today's economy rather than the one that existed when sales tax was first imposed in 1933.

Sales Per Capita



Revenue By Business Group
Glendale This Quarter



Glendale Top 15 Business Types

*In thousands of dollars	Glendale		County	HdL State
Business Type	Q4 '16*	Change	Change	Change
Auto Lease	489.1	17.9%	12.1%	9.8%
Building Materials	232.8	5.1%	-1.0%	0.7%
Casual Dining	502.0	4.8%	2.9%	2.4%
Convenience Stores/Liquor	178.7	8.3%	3.9%	5.2%
Department Stores	744.5	-0.5%	-3.2%	-5.6%
Discount Dept Stores	— CONFIDENTIAL —		-0.9%	-0.6%
Electronics/Appliance Stores	426.6	6.7%	1.6%	-1.2%
Family Apparel	581.3	2.7%	3.9%	4.6%
Grocery Stores	320.8	-1.9%	6.7%	3.9%
New Motor Vehicle Dealers	1,728.8	2.2%	2.7%	5.6%
Quick-Service Restaurants	431.4	5.3%	5.5%	5.7%
Repair Shop/Equip. Rentals	213.5	na	10.1%	6.2%
Service Stations	419.1	2.0%	-2.6%	-1.1%
Specialty Stores	298.3	6.1%	5.7%	3.8%
Women's Apparel	257.6	14.3%	-7.2%	-0.4%
Total All Accounts	**9,322.2**	**7.2%**	**3.6%**	**2.4%**
County & State Pool Allocation	**1,583.8**	**-3.1%**	**3.5%**	**6.9%**
Gross Receipts	**10,906.0**	**5.5%**	**3.6%**	**3.0%**