

# Q3 2009



# City of Glendale Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2009)

## Glendale In Brief

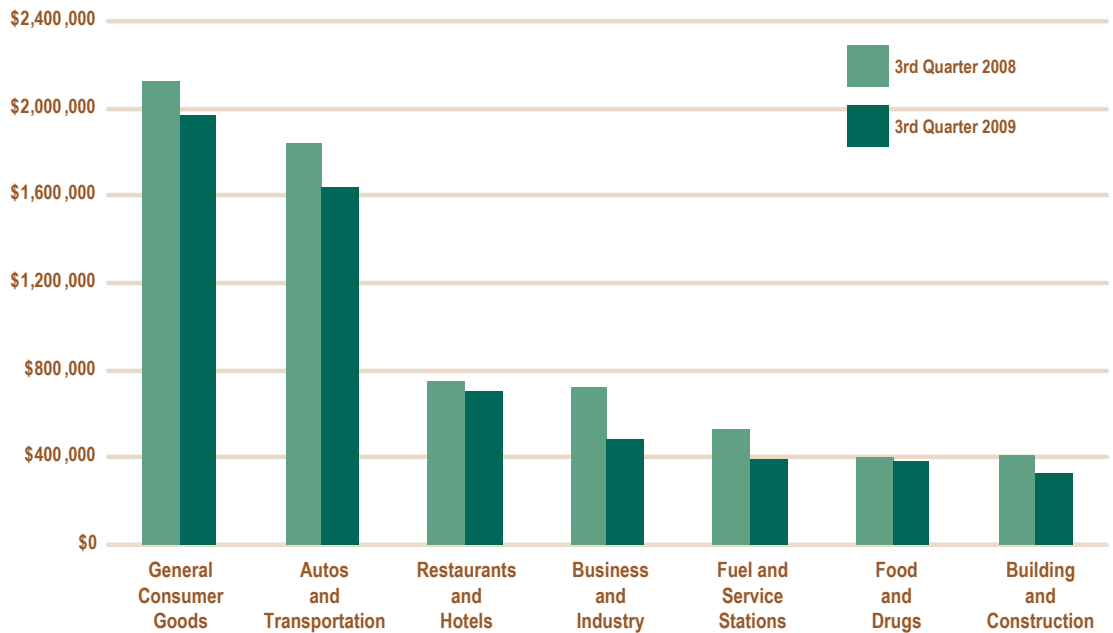
Receipts for Glendale's third quarter sales were 13.7% lower than the same quarter one year ago. Actual sales were down 12.9% when reporting aberrations were factored out.

Lower fuel prices negatively impacted service stations results. The city experienced a decline in sales from new motor vehicle dealers, auto leases and plumbing/electrical supplies.

Onetime negative accounting adjustments depressed receipts from light industrial/printers. Business closeouts reduced revenues from department stores and electronics/appliances stores.

Adjusted for reporting aberrations, taxable sales for all of Los Angeles County declined 16.8% over the comparable time period while the Southern California area, as a whole, was down 15.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS In Alphabetical Order

|                                  |                               |
|----------------------------------|-------------------------------|
| Allen Gwynn Chevrolet            | Kwik/AI Sal Oil               |
| Apple Computer                   | Lexus of Glendale             |
| Bob Smith Toyota                 | Macys                         |
| Calstar Mercedes                 | New Century Volkswagen        |
| Colonial Honda                   | Nissan/Infiniti Leasing Group |
| CVS Pharmacy                     | Nordstrom                     |
| Financial Services Vehicle Trust | Pacific BMW                   |
| Forever 21                       | Sears                         |
| Glendale Mitsubishi              | Star Ford                     |
| Glendale Nissan Infiniti         | Target                        |
| Home Depot                       | Toyota Motor Credit           |
| JC Penney                        | Toyota of Glendale            |
|                                  | Vons                          |

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

|                          | 2008-09              | 2009-10              |
|--------------------------|----------------------|----------------------|
| <b>Point-of-Sale</b>     | \$13,754,079         | \$11,673,381         |
| <b>County Pool</b>       | 1,520,557            | 1,277,561            |
| <b>State Pool</b>        | 3,993                | 11,563               |
| <b>Gross Receipts</b>    | <b>\$15,278,629</b>  | <b>\$12,962,505</b>  |
| <b>Less Triple Flip*</b> | <b>\$(3,819,657)</b> | <b>\$(3,240,626)</b> |

\*Reimbursed from county compensation fund

### Slower Sales Declines

With aberrations factored out, state-wide sales tax receipts for July through September declined 16.4% from the same quarter of 2008. It is anticipated that this will be the last quarter of comparative double digit decreases as the recession begins to bottom out.

This quarter's declines were led by a 32.6% fall from last year's spike in fuel prices and another 25.2% drop in tax receipts from building and construction materials.

The 9.9% decline in new car receipts was the smallest decrease in this category in seven consecutive quarters. The "cash for clunkers" program was partially responsible for the lower contraction although the tax benefits were muted as exempt federal rebates reduced the taxable values of cars purchased under the program by an average of \$4,200.

Edmunds.com estimates that 72% of the purchases would have occurred without the rebate which, if true, means that the program accomplished its goal of accelerating the clearing of inventories to get auto workers back to work but partially borrowed from future sales.

A 10.1% drop in tax revenues from general consumer goods was attributed to falling prices and continuing weak sales in home furnishings, appliances and electronics, as well as disappointing back to school purchases which normally constitute the second largest retail season of the year.

### But Slow Recovery

Prognostications are for overall smaller sales tax declines in the next two quarters with revenues flattening out by fiscal year 2010/2011. However, tight credit, high unemployment, price pressures and the end of federal stimulus funding are expected to stall significant recovery until the year after.

### Triple Flip Woes

The state's attempts to borrow its way out of its budget problems continued to create havoc with local government fiscal planning with this year's 27.6% average cutback in triple flip backfill payments.

In order to get around the state's flagging bond rating, the borrowing approved by voters in 2004 to close that year's deficit pledged a portion of local sales tax revenues to guarantee the bonds. The complex scheme to backfill the confiscated local sales tax with property tax revenues is referred to as the "triple flip."

Although the deduction occurs in real time, the estimated backfill is set by the state Department of Finance before the fiscal year begins. Last year's overly optimistic revenue projections resulted in overpayments to most local agencies thereby resulting in substantially lower estimates and negative adjustments in this year's backfills to individual agencies.

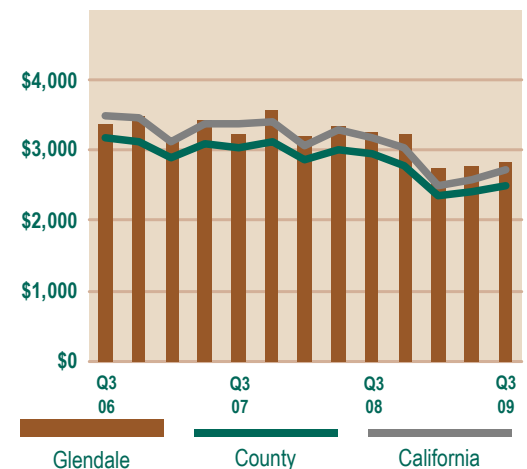
The 2004 bonds are currently estimated to be paid and the triple flip ended by April of 2016.

### Stimulus Update

Approximately two thirds of the estimated \$85 billion in federal stimulus flowing to California is expected to have been spent by the end of this fiscal year with the bulk filling state budget gaps in education, health and human services, as well as providing tax relief to individuals and businesses.

The \$20.5 billion portion available for public capital improvement projects is half committed with actual expenditures expected to begin later in 2010.

### SALES PER CAPITA



### GLENDALE TOP 15 BUSINESS TYPES

| Business Type                             | Glendale         |               | County        | HdL State            |
|---|------------------|---------------|---------------|----------------------|
|   | Q3 '09*          | Change        | Change        | Change               |
| New Motor Vehicle Dealers                 | \$1,118.1        | -6.1%         | -9.7%         | -9.8%                |
| Department Stores                         | 468.2            | -6.7%         | -11.4%        | -13.7%               |
| Service Stations                          | 398.2            | -24.6%        | -31.1%        | -28.7%               |
| Family Apparel                            | 348.8            | -1.2%         | -3.1%         | 1.4%                 |
| Restaurants No Alcohol                    | 343.5            | -9.0%         | -10.5%        | -10.1%               |
| Auto Lease                                | 324.1            | -20.6%        | -17.2%        | -17.4%               |
| Restaurants Liquor                        | 278.4            | 3.4%          | -7.6%         | -4.0%                |
| Specialty Stores                          | 210.2            | -9.1%         | -14.5%        | -10.1%               |
| Electronics/Appliance Stores              | 191.8            | -10.4%        | -15.4%        | -13.7%               |
| Grocery Stores Liquor                     | 182.3            | -8.1%         | -1.8%         | -1.4%                |
| Women's Apparel                           | 169.5            | -14.3%        | -15.5%        | -11.0%               |
| Lumber/Building Materials                 | 161.6            | -16.0%        | -15.1%        | -14.7%               |
| Discount Dept Stores                      | —                | CONFIDENTIAL  | -2.8%         | -4.4%                |
| Light Industrial/Printers                 | 98.2             | -38.9%        | -21.5%        | -19.5%               |
| Home Furnishings                          | 97.0             | -1.0%         | -20.7%        | -17.9%               |
| <b>Total All Accounts</b>                 | <b>\$5,908.9</b> | <b>-12.9%</b> | <b>-15.1%</b> | <b>-13.9%</b>        |
| <b>County &amp; State Pool Allocation</b> | <b>637.0</b>     | <b>-20.2%</b> |               |                      |
| <b>Gross Receipts</b>                     | <b>\$6,545.9</b> | <b>-13.7%</b> |               | <i>*In thousands</i> |