

Q3 2017



City of Glendale Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Glendale In Brief

Glendale's receipts from July through September were 4.5% lower than the third sales period in 2016. However, large business-in-dustry payment deviations in the current and year ago period skewed the results. Excluding reporting aberrations, actual sales were down 1.7%.

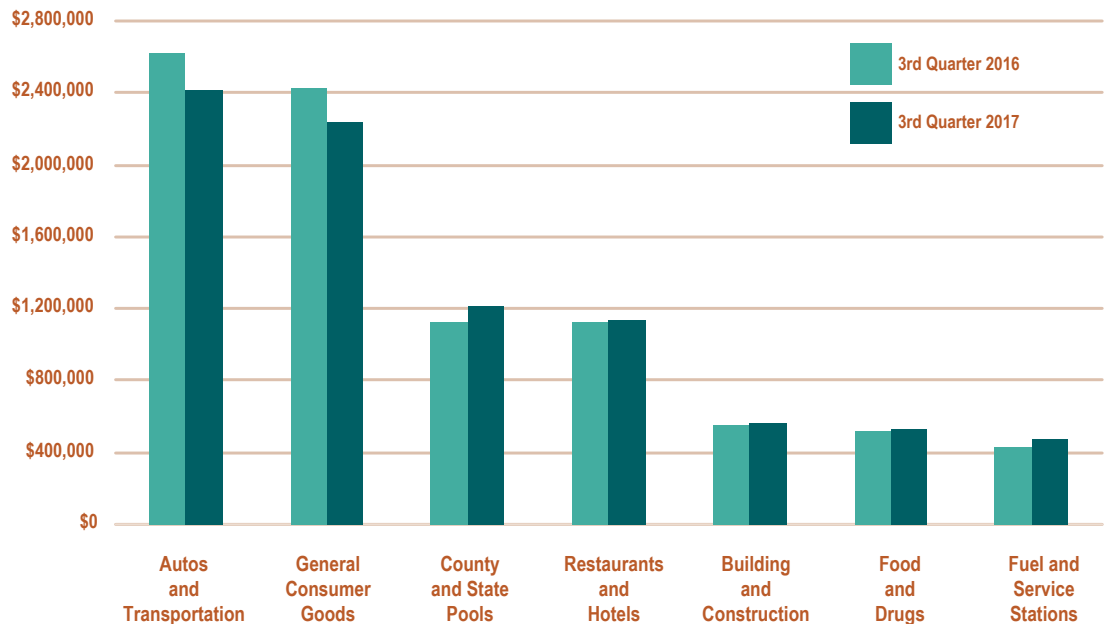
Though auto leasing activity continues to improve, recent ownership changes and softening demand to purchase new cars dampened auto-transportation returns. Decreased sales of women's apparel and electronics, in addition to declines by department stores, hurt general consumer goods.

Greater variety and creative new dining concepts improved interest in eating out, therefore positively impacting restaurant growth. While higher global crude oil prices combined with regular summer consumption led to solid receipts from service stations.

An increased allocation from the countywide use tax pool, largely due to a rise in capital and online purchases shipped into the region, also softened the negative results.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Marshalls
Bloomingtons	Nissan Infiniti
Bob Smith Toyota	Nordstrom
Calstar Mercedes	Pacific BMW
Car Pros Kia Glendale	Pirch
Financial Services Vehicle Trust	Star Ford Lincoln
Glendale Dodge Chrysler Jeep	Star Mazda
Home Depot	Subaru of Glendale
Hyundai Lease Titling Trust	Target
JC Penney	Toyota Lease Trust
Lexus of Glendale	Toyota of Glendale
Macys	United Oil
	Vons

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$16,463,185	\$16,282,252
County Pool	2,601,589	2,859,146
State Pool	6,339	515
Gross Receipts	\$19,071,113	\$19,141,913

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

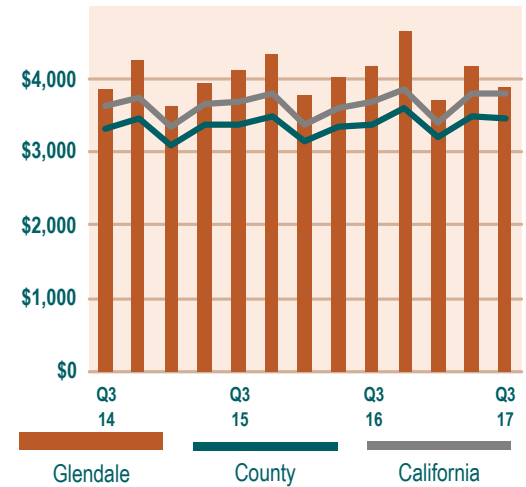
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

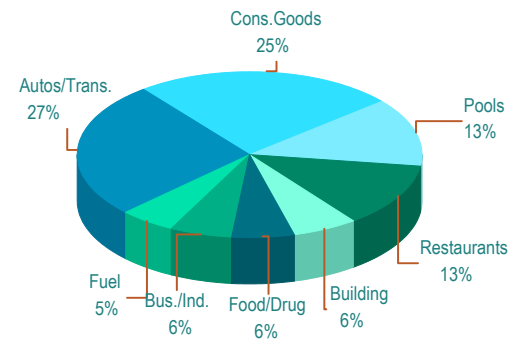
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

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
	Q3 '17*	Change	Change	Change
Auto Lease	552.4	12.7%	3.7%	4.6%
Building Materials	250.9	2.6%	3.3%	5.6%
Casual Dining	500.4	1.8%	3.1%	2.2%
Convenience Stores/Liquor	158.2	0.9%	7.2%	7.8%
Department Stores	389.7	-24.3%	-8.5%	-7.5%
Discount Dept Stores	— CONFIDENTIAL —		6.3%	6.1%
Electronics/Appliance Stores	310.5	-11.2%	-1.2%	0.3%
Family Apparel	460.1	4.3%	3.4%	1.7%
Grocery Stores	248.8	-1.7%	0.3%	0.6%
New Motor Vehicle Dealers	1,519.7	-15.7%	-4.1%	0.9%
Plumbing/Electrical Supplies	183.6	8.6%	3.4%	4.6%
Quick-Service Restaurants	410.7	-1.9%	3.7%	4.8%
Service Stations	476.6	10.6%	6.8%	9.2%
Specialty Stores	233.3	0.5%	1.6%	2.3%
Women's Apparel	173.6	-6.0%	-18.3%	-12.4%
Total All Accounts	7,877.4	-6.1%	3.2%	4.1%
County & State Pool Allocation	1,212.2	7.8%	6.7%	4.8%
Gross Receipts	9,089.6	-4.5%	3.6%	4.2%