



City of Glendale Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Glendale In Brief

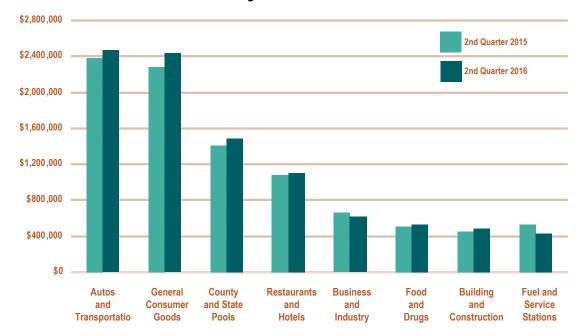
Glendale's receipts from April through June were 2,8% below 2015's second quarter results. Excluding reporting aberrations, actual sales were down 1.1%.

Declines were partly due to a shift from place of sale reporting to distributions through the state's system of countywide use tax pools. Decreases in the business and industry and fuel and service station categories were also factors in the overall decline though recoveries from the City's on-going audit activities reduced the impact of weak business and industry sales.

Receipts from the autos and transportation group were buoyed by a retroactive accounting adjustment in the auto lease group; a onetime negative accounting adjustment in the comparison quarter inflated results from the building and construction category. Conversely onetime reporting aberrations caused the restaurants comparison to be understated.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Glendale Subaru/

Mitsubishi

Allen Gwynn Home Depot Chevrolet JC Penney Apple Lexus of Glendale Bloomingdales Macys **Bob Smith Toyota** Nordstrom Calstar Mercedes Pacific BMW Car Pros Kia Pirch Glendale Ralphs Diamond Honda of Glendale Star Ford Lincoln **Financial Services** Target Vehicle Trust Toyota Lease Trust Glendale Dodge Toyota of Glendale Chrysler Jeep Scion Glendale Nissan Video Equipment Infiniti Rental

Vons

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$7,878,155	\$8,070,176
County Pool	1,401,960	1,479,635
State Pool	9,073	3,458
Gross Receipts	\$9,289,189	\$9,553,268
Less Triple Flip*	\$(3,047,359)	\$0
*Reimbursed from county compensation fund		



California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

Total All Accounts

Gross Receipts

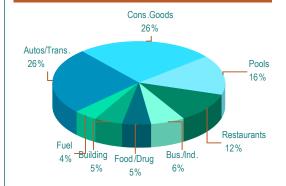
County & State Pool Allocation

GLENDALE TOP 15 BUSINESS TYPES

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Glendale This Quarter



*In thousands of dollars Glendale County **HdL State Business Type** Q2 '16* Change Change Change **Auto Lease** 520.0 34.6% 16.5% 20.6% Casual Dining 478.3 1.6% 6.7% 4.4% 545.2 0.3% -0.9% -4.3% **Department Stores** - CONFIDENTIAL **Discount Dept Stores** 0.4% 0.7% Electronics/Appliance Stores 29.9% 340.7 15.7% 22.3% Family Apparel 432.4 0.5% 3.5% 4.3% **Grocery Stores Liquor** 209.6 4.3% 2.2% 1.1% Lumber/Building Materials 212.7 2.6% 3.7% 3.3% — CONFIDENTIAL — Motion Pictures/Equipment -2.9% -13.9% **New Motor Vehicle Dealers** 1,662.9 -1.7% -0.6% 2.7% Plumbing/Electrical Supplies 155.7 15.4% 10.4% 7.6% Quick-Service Restaurants 424.7 2.1% 6.1% 6.6% Service Stations 427.7 -18.8% -20.5% -19.2% -2.2% **Specialty Stores** 243.0 -0.6% 2.4% 40.2% Women's Apparel 214.5 4.3% 1.9%

8,070.2

1,483.1

9,553.3

2.4%

5.1%

2.8%

0.1%

15.1%

1.9%

-0.6%

15.2%

1.4%