

Q3 2011



City of Glendale Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

Glendale In Brief

Receipts for Glendale's July through September sales were 5.7% higher than the same quarter one year ago.

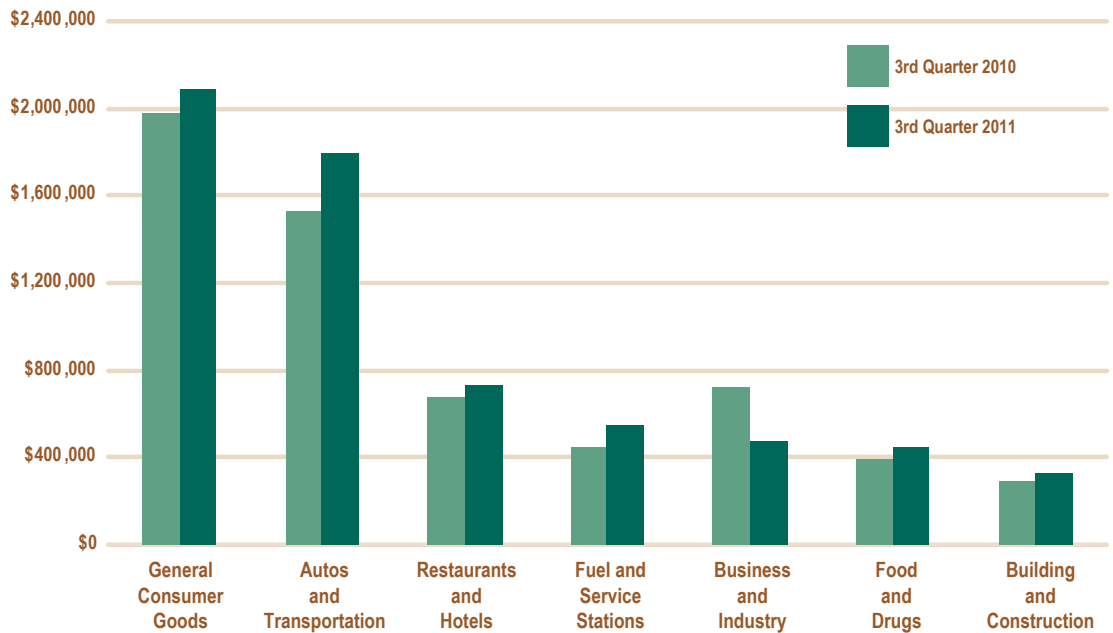
There was solid performance in most general consumer categories including department stores, family and women's apparel, specialty stores, home furnishings and shoe stores. A onetime accounting adjustment overstated the gain in new auto sales. Nonetheless the rise surpassed county and statewide results.

Higher fuel prices bumped up service station receipts while a new eatery added to already positive returns in restaurants as a whole. A double payment inflated grocery stores and building-related proceeds were greater than regional trends.

Multiple onetime aberrations and unusually high returns in the comparison quarter were the primary factors in the business to business decline.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 8.1% over the comparable time period, while the Southern California region as a whole was up 8.3%.

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	Nordstrom
CVS Pharmacy	Pacific BMW
Diamond Honda	Ralphs
Financial Services Vehicle Trust	Sears
Glendale Dodge Chrysler Jeep	Star Ford Lincoln
Glendale Mitsubishi	Target
Glendale Nissan Infiniti	Toyota Motor Credit Corporation
Home Depot	Toyota of Glendale
JC Penney	Video Equipment Rental
	Vons

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$11,819,567	\$12,761,801
County Pool	1,349,701	1,405,711
State Pool	8,463	1,565
Gross Receipts	\$13,177,731	\$14,169,077
Less Triple Flip*	\$(3,294,433)	\$(3,542,269)

*Reimbursed from county compensation fund

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

Sales Tax and the Internet

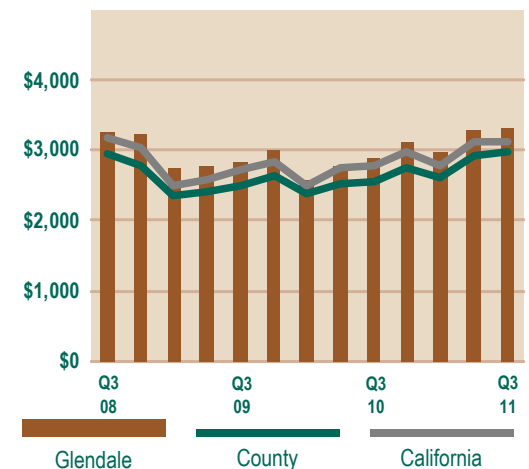
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted in legislation (AB 155) that requires

in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

SALES PER CAPITA



GLENDALE TOP 15 BUSINESS TYPES

Business Type	Glendale		County	HdL State
	Q3 '11*	Change	Change	Change
Auto Lease	231.7	-5.4%	2.1%	2.3%
Department Stores	462.1	2.6%	5.4%	4.7%
Discount Dept Stores	— CONFIDENTIAL —		5.2%	3.1%
Electronics/Appliance Stores	240.1	-1.9%	-3.6%	-9.2%
Family Apparel	401.3	10.6%	8.1%	8.2%
Grocery Stores Liquor	221.5	12.7%	16.0%	10.9%
Light Industrial/Printers	110.3	7.2%	20.7%	2.8%
Lumber/Building Materials	175.9	7.4%	4.0%	4.1%
New Motor Vehicle Dealers	1,308.3	23.5%	13.7%	12.2%
Restaurants Beer And Wine	99.4	23.1%	0.3%	0.5%
Restaurants Liquor	258.5	8.7%	10.6%	10.9%
Restaurants No Alcohol	354.4	5.9%	7.1%	7.0%
Service Stations	541.6	21.0%	20.0%	20.5%
Specialty Stores	213.4	12.5%	9.0%	8.5%
Women's Apparel	194.2	7.5%	9.7%	9.9%
Total All Accounts	\$6,418.8	6.4%	10.3%	9.4%
County & State Pool Allocation	707.4	-0.3%		
Gross Receipts	\$7,126.2	5.7%		<i>*In thousands</i>