

Q2 2012



City of Glendale Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

Glendale In Brief

Receipts for Glendale's April through June sales were 4.9% higher than the same quarter one year ago. Actual sales activity was up 6.6% when reporting aberrations were factored out.

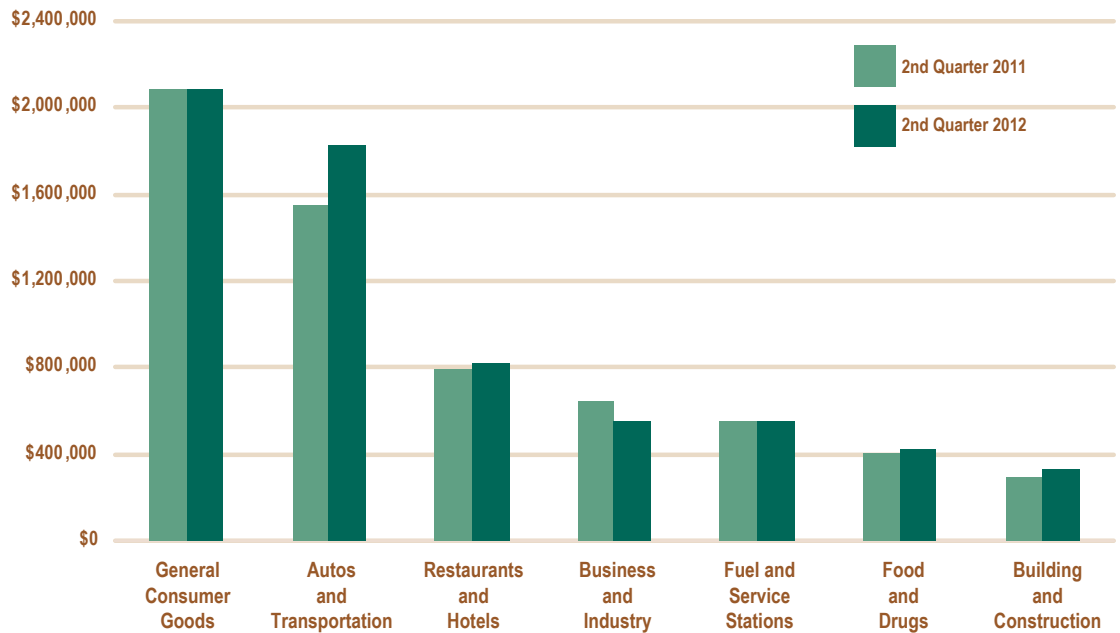
The decline in the business and industry group was exaggerated by a combination of taxpayer refunds and a retroactive adjustment in office supplies furniture that inflated the year-ago period. Nonetheless, entertainment-related sectors increased compared to last year.

A payment deviation in family apparel and lower returns for department stores and electronics accounted for the loss in general retail as a whole.

New auto sales increased in line with statewide trends while new openings contributed to positive results in restaurants and building and construction. A gain in the city's share of the countywide use tax allocation pool added to gross receipts.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 7.6% over the comparable time period, while the Southern California region as a whole was up 7.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Al Sal 76	JC Penney
Allen Gwynn Chevrolet	Lexus of Glendale
Apple	Macys
Bob Smith Toyota	New Century Volkswagen
Calstar Mercedes	Nordstrom
Diamond Honda	Pacific BMW
Financial Services Vehicle Trust	Ralphs
Glendale Dodge Chrysler Jeep	Star Ford Lincoln
Glendale Hyundai	Target
Glendale Mitsubishi	Toyota Motor Credit
Glendale Nissan Infiniti	Toyota of Glendale
Home Depot	Video Equipment Rental
	Vons

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$6,342,966	\$6,604,155
County Pool	703,611	777,813
State Pool	(3,741)	6,621
Gross Receipts	\$7,042,837	\$7,388,589
Less Triple Flip*	\$(1,760,709)	\$(1,847,147)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

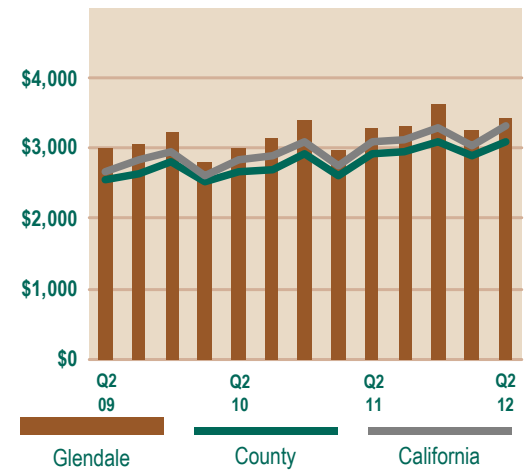
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

SALES PER CAPITA



GLENDALE TOP 15 BUSINESS TYPES

Business Type	Glendale		County	HdL State
	Q2 '12*	Change	Change	Change
Auto Lease	229.0	10.6%	6.9%	5.5%
Department Stores	453.6	-3.2%	1.3%	1.1%
Discount Dept Stores	— CONFIDENTIAL —		2.6%	3.7%
Electronics/Appliance Stores	241.7	-1.9%	14.9%	-3.0%
Family Apparel	394.5	-0.8%	10.3%	8.9%
Grocery Stores Liquor	210.9	6.5%	4.3%	4.2%
Lumber/Building Materials	169.4	6.4%	16.6%	20.4%
Motion Pictures/Equipment	160.5	77.9%	3.5%	3.5%
New Motor Vehicle Dealers	1,344.1	21.5%	20.2%	22.2%
Restaurants Beer And Wine	115.9	15.6%	1.3%	-0.1%
Restaurants Liquor	294.3	4.0%	11.9%	11.3%
Restaurants No Alcohol	381.4	-1.0%	7.1%	8.1%
Service Stations	546.7	-0.7%	1.0%	2.3%
Specialty Stores	198.7	6.6%	2.9%	2.5%
Women's Apparel	196.4	-2.9%	10.5%	5.3%
Total All Accounts	\$6,604.2	4.1%	5.8%	6.7%
County & State Pool Allocation	784.4	12.1%		
Gross Receipts	\$7,388.6	4.9%		<i>*In thousands</i>