

Q2 2018



City of Glendale Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Glendale In Brief

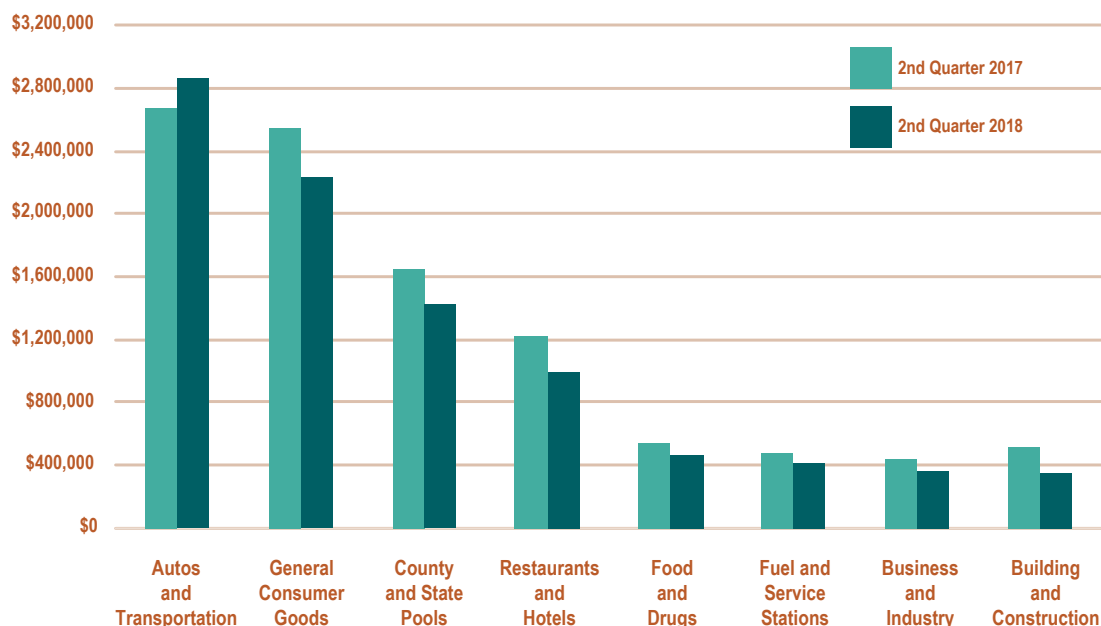
Glendale's receipts from April through June were 24.8% below the second sales period in 2017. The decline was the result of a State audit finding that artificially bolstered prior year comparison revenue with a large infusion. It was also due to the State's transition to a new software and reporting system that caused a delay in processing thousands of payments statewide. Sizeable local allocations remain outstanding, particularly for new car dealers, service stations and family apparel and casual dining outlets.

This decline also reduced allocations from the State and County Pool as these funds are proportioned among County agencies based on cash receipts. This quarter's payment aberrations disproportionately impacted Glendale, therefore resulting in a temporarily reduced share. Excluding these reporting aberrations, actual vendor sales were up 1.2%.

Service station revenue was up on a real, economic basis thanks to the higher price of fuel compared to last year. Business-industrial revenue was also higher.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.6% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allen Gwynn Chevrolet	JC Penney
Apple	JP Morgan Chase Bank
Bloomingdale's	Lexus of Glendale
Car Pros Kia	Macys
CDW Government	Nissan Infiniti
Circle K	Nordstrom
Financial Services Vehicle Trust	Pacific BMW
Glendale Dodge Chrysler Jeep	Ralphs
Glendale Subaru/Mitsubishi	Star Ford Lincoln
Home Depot	Target
Honda Lease Trust	Toyota Lease Trust
Hyundai Lease Titling Trust	Toyota of Glendale Scion
	Vons

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$33,647,899	\$35,992,814
County Pool	5,650,405	3,483,586
State Pool	20,770	19,161
Gross Receipts	\$39,319,073	\$39,495,561

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

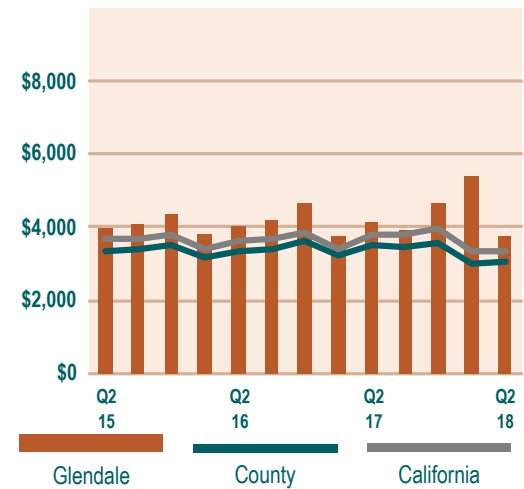
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

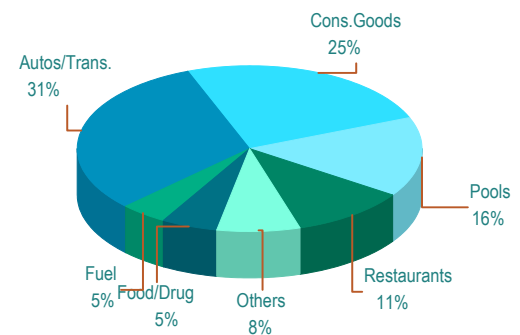
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Glendale This Quarter



GLENDALE TOP 15 BUSINESS TYPES

<i>*In thousands of dollars</i>				
Business Type	Glendale Q2 '18*	Glendale Change	County Change	HdL State Change
Auto Lease	1,004.7	65.3%	61.0%	60.9%
Building Materials	162.8	-30.5%	-34.3%	-23.2%
Casual Dining	448.6	-24.5%	-11.3%	-12.6%
Convenience Stores/Liquor	146.3	-6.3%	-6.7%	-8.8%
Department Stores	654.8	22.3%	13.4%	12.7%
Electronics/Appliance Stores	311.8	-12.9%	-7.0%	-5.1%
Family Apparel	338.1	-26.4%	-27.3%	-27.2%
Grocery Stores	215.1	-17.4%	-12.1%	-7.0%
New Motor Vehicle Dealers	1,483.9	-11.9%	-5.1%	-1.9%
Plumbing/Electrical Supplies	126.0	-27.6%	-2.3%	-6.7%
Quick-Service Restaurants	388.1	-7.6%	-5.9%	-5.8%
Service Stations	413.3	-12.6%	-23.5%	-26.4%
Shoe Stores	117.0	-2.5%	-0.3%	-3.3%
Specialty Stores	214.3	-16.1%	-8.9%	-4.6%
Women's Apparel	179.2	-27.7%	-13.9%	-12.8%
Total All Accounts	7,663.4	-8.8%	-11.9%	-12.2%
County & State Pool Allocation	1,421.7	-13.7%	3.2%	5.5%
Gross Receipts	9,085.1	-9.6%	-10.1%	-10.1%