City of Glendale ${ }^{\text {glendale }{ }^{\circ 0} \mathrm{O}}$ Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2019)

## Glendale

## In Brief

Glendale's receipts from January through March were $22.1 \%$ below the first sales period in 2018. The decline was primarily the result of a large payment correction by a new car vendor to properly record sales activity dating back several years. Adjusted for proper payment timing, sales were down $4.6 \%$.
A $31 \%$ drop in allocations from the countywide use tax pool was the largest factor in the overall decline. The pool is divided proportionately among county agencies based on point-of-sale receipts and the large payment correction had the addi tional impact of temporarily reduc ing the City's share of the pool.
Service station and department store receipts were also down.
Conversely, new car and auto lease related revenue were up. A suspected misallocation in the com parison year appears to have lift ed the building material category. A possible misallocation may have also inflated the electronics/appli ance store group.
Measure S, the voter-approved transactions tax, became effective April $\mathrm{h}^{\mathrm{t}}, 2019$.
Net of aberrations, taxable sales for all of Los Angeles County grew $0.9 \%$ over the comparable time pe riod; the Southern California region was up $0.9 \%$.

## Sales Tax by Major Business Group



## Top 25 Producers <br> In Alphabetical Order

Allen Gwynn Chevrolet
Apple
Bloomingdale's
Calstar Mercedes
Car Pros Kia Glendale
CDW Direct
CDW Government
Daimler Trust
Financial Services Vehicle Trust
Glendale Dodge Chrysler Jeep
Glendale Subaru/ Mitsubishi
Home Depot

Hyundai Lease Titling Trust Lexus of Glendale
New Century Honda
Nordstrom
Pacific BMW
Sephora
Star Auto Group
Target
Tesla Motors
Toyota Lease Trust
Toyota of Glendale Scion
United Oil
Vons

REVENUE COMPARISON
Three Quarters - Fiscal Year To Date (Q3 to Q1)
2017-18
2018-19

| Point-of-Sale | $\$ 15,632,567$ | $\$ 30,713,925$ |
| :--- | ---: | ---: |
| County Pool | $2,065,281$ | $4,407,287$ |
| State Pool | 15,779 | 15,981 |
| Gross Receipts | $\mathbf{\$ 1 7 , 7 1 3 , 6 2 7}$ | $\mathbf{\$ 3 5 , 1 3 7 , 1 9 4}$ |

## Statewide Results

Local sales and use tax receipts from January through March sales were 1.0\% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.
The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.
Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for $22.3 \%$ of the total general consumer goods segment versus $20.2 \%$ one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of $2.1 \%$ to gains as high as $4.4 \%$. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

## Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21 st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

Sales Per Capita


Revenue By Business Group Glendale This Quarter


## Glendale Top 15 Business Types

| *In thousands of dollars | Glendale |  | County | HdL State |
| :---: | :---: | :---: | :---: | :---: |
| Business Type | Q1 '19* | Change | Change | Change |
| Auto Lease | -790N | ENTIA\& | na | na |
| Building Materials | 238.7 | 13.2\% | 3.9\% | 4.0\% |
| Casual Dining | 621.8 | 7.3\% | 14.8\% | 13.3\% |
| Department Stores | 334.5 | -15.3\% | 38.4\% | 35.0\% |
| Electronics/Appliance Stores | 471.8 | 44.5\% | -8.0\% | -3.3\% |
| Family Apparel | 406.6 | 3.9\% | 2.7\% | 7.1\% |
| Grocery Stores | 242.2 | 35.3\% | 42.4\% | 25.7\% |
| New Motor Vehicle Dealers | 1,798.9 | -68.0\% | -0.4\% | -1.9\% |
| Office Supplies/Furniture | - CON | ENTIAL - | 3.5\% | -0.4\% |
| Plumbing/Electrical Supplies | 171.4 | 13.6\% | 6.9\% | 4.6\% |
| Quick-Service Restaurants | 390.4 | 3.4\% | 8.3\% | 10.0\% |
| Receivables/Master Outlets | - CON | ENTIAL - | 53.8\% | 156.2\% |
| Service Stations | 497.1 | 34.0\% | 21.9\% | 15.7\% |
| Specialty Stores | 296.4 | 35.2\% | 29.5\% | 23.3\% |
| Women's Apparel | 160.7 | 9.5\% | 0.6\% | 6.6\% |
| Total All Accounts | 9,328.8 | -23.2\% | 16.5\% | 13.5\% |
| County \& State Pool Allocation | 1,402.1 | -14.5\% | 29.8\% | 23.8\% |
| Gross Receipts | 10,730.9 | -22.1\% | 18.1\% | 14.9\% |

