

# Q4 2019



# City of Glendale Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## Glendale In Brief

Glendale's receipts from October through December were 9.2% above the fourth sales period in 2018. Excluding payment aberrations, actual sales were up 5.7%.

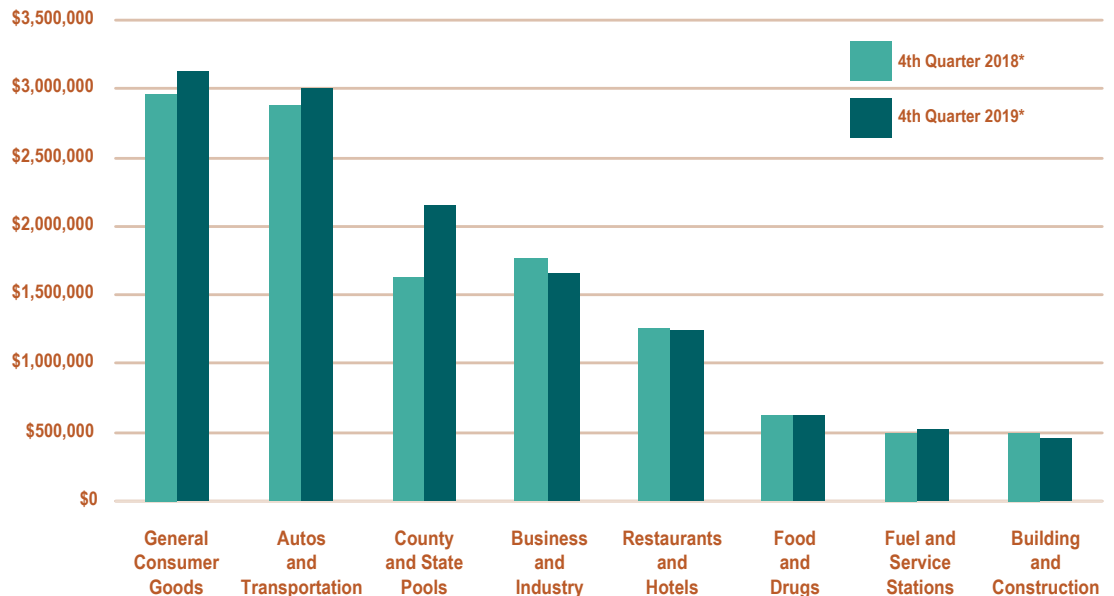
A major factor in this improvement was a 38% surge in allocations from the countywide use tax pool after these receipts were boosted by a recent legislative change that allows the State to collect tax revenue from small, third-party sellers on internet-based, market-platforms.

A misallocation in the comparison year artificially inflated the rate of growth for department stores. Similar aberrations also exaggerated the improvement of electronics and appliance stores, though actual sales for the category were still up a healthy 7% as product refreshes appear to have stimulated consumer demand. A late arriving payment from a prior period inflated auto-lease proceeds.

Voter-approved Measure S added an additional \$6,886,000 beyond the amounts previously discussed.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.8% over the comparable time period; the Southern California region was up 4.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allen Gwynn Chevrolet	JC Penney
Apple	Lexus of Glendale
Bloomingdale's	Macys
Calstar Mercedes	Marshalls
Car Pros Kia Glendale	New Century Honda
CDW Direct	Nordstrom
CDW Government	Pacific BMW
Financial Services Vehicle Trust	Star Auto Group
Glendale Dodge Chrysler Jeep	Target
Glendale Subaru/Mitsubishi	Tesla Motors
Home Depot	Toyota Lease Trust
	Toyota of Glendale Scion
	Vons
	Zara

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$21,385,148	\$20,997,914
County Pool	3,010,451	3,786,761
State Pool	10,700	9,461
<b>Gross Receipts</b>	<b>\$24,406,300</b>	<b>\$24,794,135</b>
<b>Measure S</b>	<b>\$0</b>	<b>\$13,290,379</b>

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

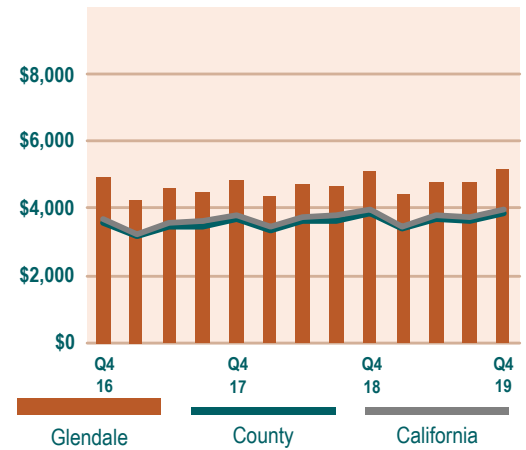
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

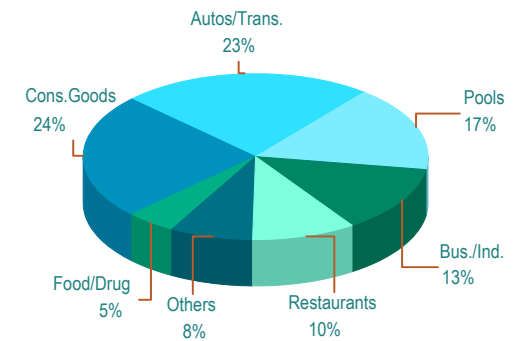
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP  
Glendale This Quarter\***



\*Allocation aberrations have been adjusted to reflect sales activity

**GLENDALE TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Glendale Q4 '19*	Glendale Change	County Change	HdL State Change
Auto Lease	649.8	2.8%	1.3%	3.2%
Building Materials	236.3	-4.2%	1.7%	1.4%
Casual Dining	638.9	2.6%	4.3%	3.8%
Convenience Stores/Liquor	195.7	-1.4%	0.8%	-0.3%
Department Stores	745.3	32.8%	0.2%	-4.8%
Electronics/Appliance Stores	482.8	7.1%	-6.0%	-6.6%
Family Apparel	565.3	-1.3%	-1.2%	1.3%
Grocery Stores	280.8	0.9%	0.7%	1.3%
New Motor Vehicle Dealers	1,988.1	2.6%	-0.9%	-3.4%
Office Supplies/Furniture	1,118.6	-8.1%	-10.7%	-8.1%
Plumbing/Electrical Supplies	171.9	-10.1%	4.7%	-0.7%
Quick-Service Restaurants	413.6	-3.1%	0.6%	1.9%
Service Stations	527.0	6.6%	-0.1%	0.2%
Specialty Stores	297.7	-3.4%	-1.0%	-3.8%
Women's Apparel	219.2	-3.1%	-2.4%	-4.8%
<b>Total All Accounts</b>	<b>10,645.4</b>	<b>1.7%</b>	<b>0.2%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>2,143.3</b>	<b>31.6%</b>	<b>26.7%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>12,788.6</b>	<b>5.7%</b>	<b>3.8%</b>	<b>4.2%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.