

Q1 2020



City of Glendale Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Glendale In Brief

Glendale's receipts from January through March were 24.9% below the first sales period in 2019 but this decline was exaggerated by the Governor's recent Executive Order allowing some businesses an extra 90-days to file their tax return amidst the pandemic. Actual sales were down 12.9%.

Sales from electronic/appliance stores were down 57%, but a reporting error may have contributed to this loss.

Office supplies/furniture and department store proceeds were down sharply. A misallocation magnified the decline in new car related receipts. Partial payments appear to have negatively impacted family apparel returns.

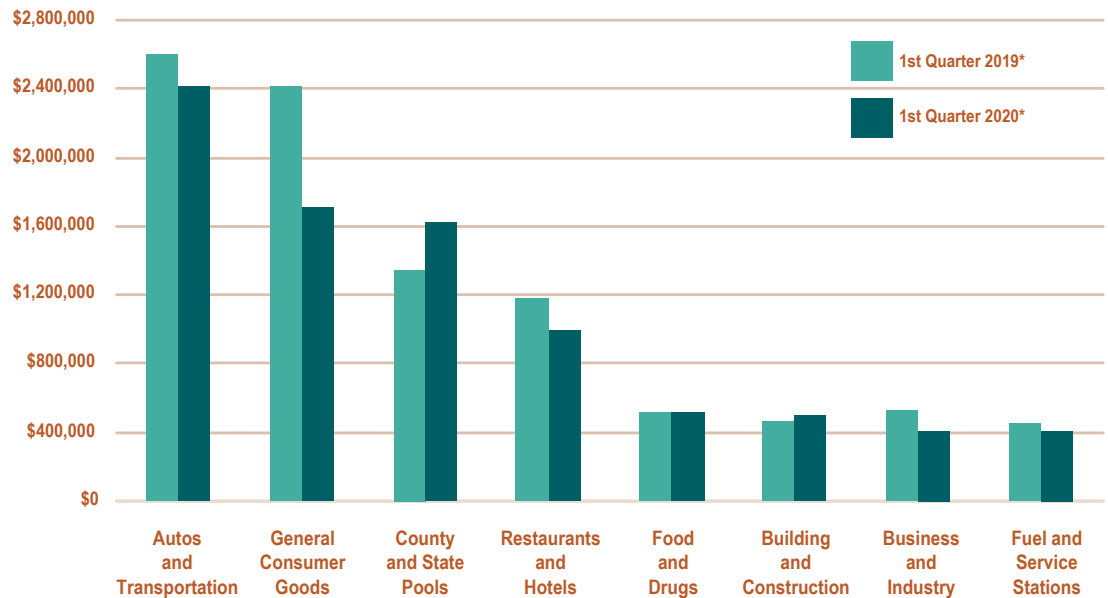
Revenue from casual dining restaurants was down 18% as the Governor's March 19th lockdown closed dining rooms at the tail-end of the quarter.

Helping to partially offset these declines was a 20% sure in allocations from the countywide use tax pool.

Voter approved Measure S added an additional \$4,206,000 to these amounts, after adjusting for identified payment aberrations.

Net of aberrations, taxable sales for all of Los Angeles County declined 5.3% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allen Gwynn Chevrolet	Home Depot
Apple	Hyundai Lease Titling Trust
Avis Car Sales	Lexus of Glendale
Bloomington's	Macys
Calstar Mercedes	New Century Honda
Car Pros Kia Glendale	Nordstrom
CDW Direct	Pacific BMW
CDW Government	Star Auto Group
CVS Pharmacy	Target
Daimler Trust	Tesla Motors
Financial Services Vehicle Trust	Toyota Lease Trust
Glendale Dodge Chrysler Jeep	Toyota of Glendale Scion
	Vons

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$30,713,925	\$27,468,773
County Pool	4,407,287	5,366,076
State Pool	15,981	15,305
Gross Receipts	\$35,137,194	\$32,850,154
Measure S	\$10,146	\$17,714,790

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

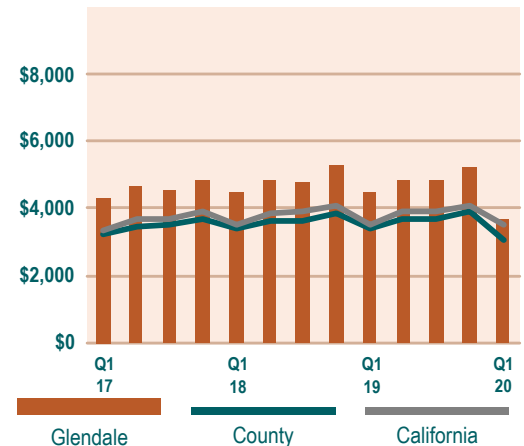
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

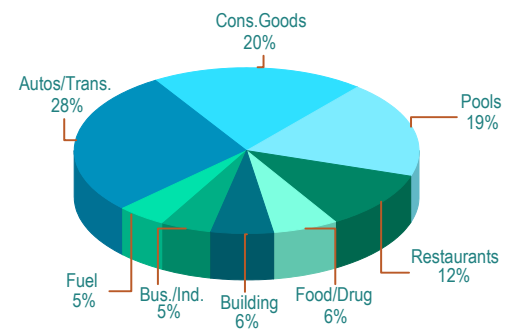
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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 Q1 '20*	Glendale Change	County Change	HdL State Change
Auto Lease	627.9	-1.5%	-2.9%	1.6%
Building Materials	235.8	-2.1%	1.4%	3.0%
Casual Dining	492.6	-18.0%	-19.4%	-18.8%
Department Stores	293.8	-26.7%	-35.3%	-34.6%
Drug Stores	124.2	7.6%	4.7%	3.4%
Electronics/Appliance Stores	280.2	-56.8%	-17.7%	-18.0%
Family Apparel	278.9	-26.4%	-22.6%	-21.1%
Grocery Stores	257.1	8.1%	9.3%	11.8%
New Motor Vehicle Dealers	1,466.5	-11.9%	-11.1%	-10.6%
Plumbing/Electrical Supplies	210.4	23.4%	1.1%	1.5%
Quick-Service Restaurants	342.5	-13.5%	-9.5%	-8.5%
Receivables/Master Outlets	573.3	-41.7%	-41.9%	-46.0%
Service Stations	405.7	-9.5%	-10.3%	-9.5%
Specialty Stores	209.1	-9.6%	-10.1%	-10.1%
Used Automotive Dealers	134.6	47.9%	-12.4%	-12.7%
Total All Accounts	7,505.0	-17.8%	-9.9%	-7.3%
County & State Pool Allocation	1,616.4	19.9%	25.6%	22.4%
Gross Receipts	9,121.4	-12.9%	-5.3%	-3.0%

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