

Q2 2020



City of Glendale Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Glendale In Brief

Glendale's receipts from April through June were 22.2% below the second sales period in 2019 as payments deferred from earlier periods were collected. After adjusting for the payment issues and other reporting corrections, actual sales were down 31.9%.

Second quarter 2020 was the economic bottoming out from the COVID-19 pandemic. With doors closed for all but a few essential businesses, general consumer goods categories reported significant declines in tax revenues.

Smaller numbers of office workers and temporary closures adversely impacted restaurants. While dealerships adapted new ways to move inventory, activity was still below year ago totals.

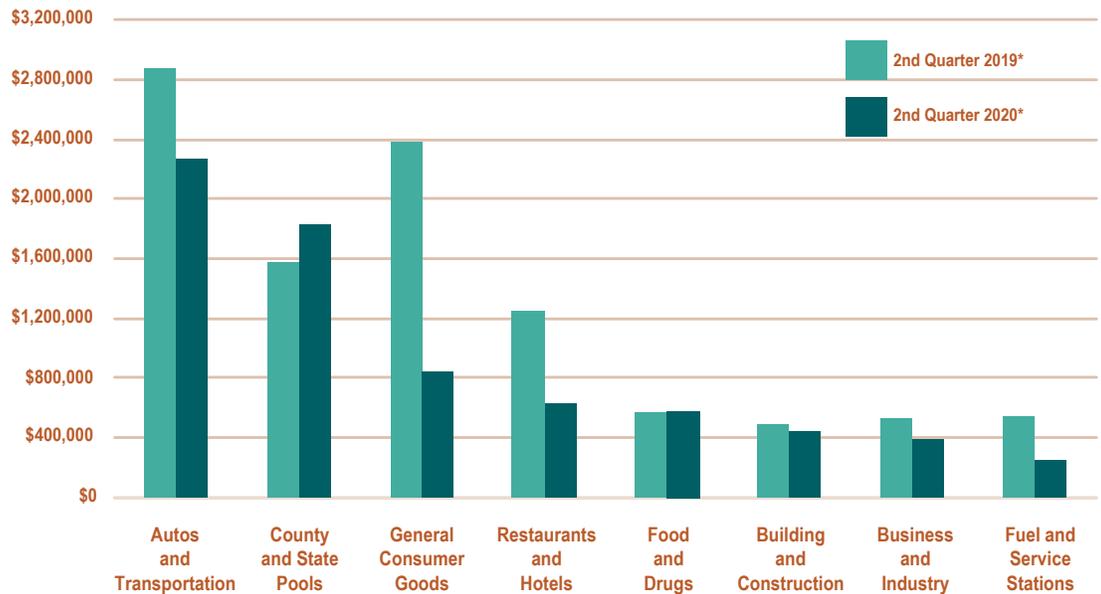
A drop in office supplies added to the drop in the business and industry group while less local travel and lower prices resulted in service station's decrease.

One bright spot was countywide pool allocations, boosted by stronger online sales and additional taxes from marketplace facilitators.

Measure S, the City's district tax generated \$22,713,807 in its fifth quarter since inception. This represents a 25% decline absent reporting adjustments.

Net of aberrations, taxable sales for all of Los Angeles County declined 22.7%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$40,517,798	\$34,435,413
County Pool	6,018,891	7,284,079
State Pool	20,263	18,129
Gross Receipts	\$46,556,951	\$41,737,620
Measure S	\$5,241,350	\$22,923,167

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

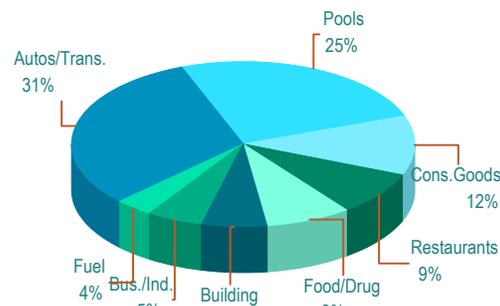
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

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 Q2 '20*	Glendale Change	County Change	HdL State Change
Auto Lease	565.5	-11.7%	-11.9%	-9.2%
Building Materials	227.0	-9.4%	2.3%	7.0%
Casual Dining	289.8	-53.5%	-56.0%	-53.2%
Convenience Stores/Liquor	176.4	8.2%	9.7%	8.4%
Department Stores	119.4	-77.5%	-80.6%	-79.3%
Drug Stores	112.4	-4.0%	-1.9%	0.1%
Family Apparel	110.3	-75.1%	-67.2%	-66.3%
Grocery Stores	272.1	0.3%	5.3%	7.8%
New Motor Vehicle Dealers	1,420.0	-24.5%	-19.6%	-15.8%
Plumbing/Electrical Supplies	171.0	-7.3%	-15.8%	-15.8%
Quick-Service Restaurants	252.4	-39.6%	-26.2%	-22.0%
Receivables/Master Outlets	541.9	-55.4%	-41.6%	-26.4%
Service Stations	255.0	-53.1%	-50.1%	-45.2%
Specialty Stores	111.3	-56.6%	-37.8%	-36.2%
Used Automotive Dealers	129.5	-5.1%	-21.1%	-20.6%
Total All Accounts	5,960.4	-39.5%	-31.2%	-24.0%
County & State Pool Allocation	1,822.9	16.2%	31.2%	28.9%
Gross Receipts	7,783.3	-31.9%	-22.7%	-16.3%

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