

Q3 2016



City of Pasadena Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Pasadena In Brief

Pasadena's receipts from July through September were 0.8% below the third sales period in 2015.

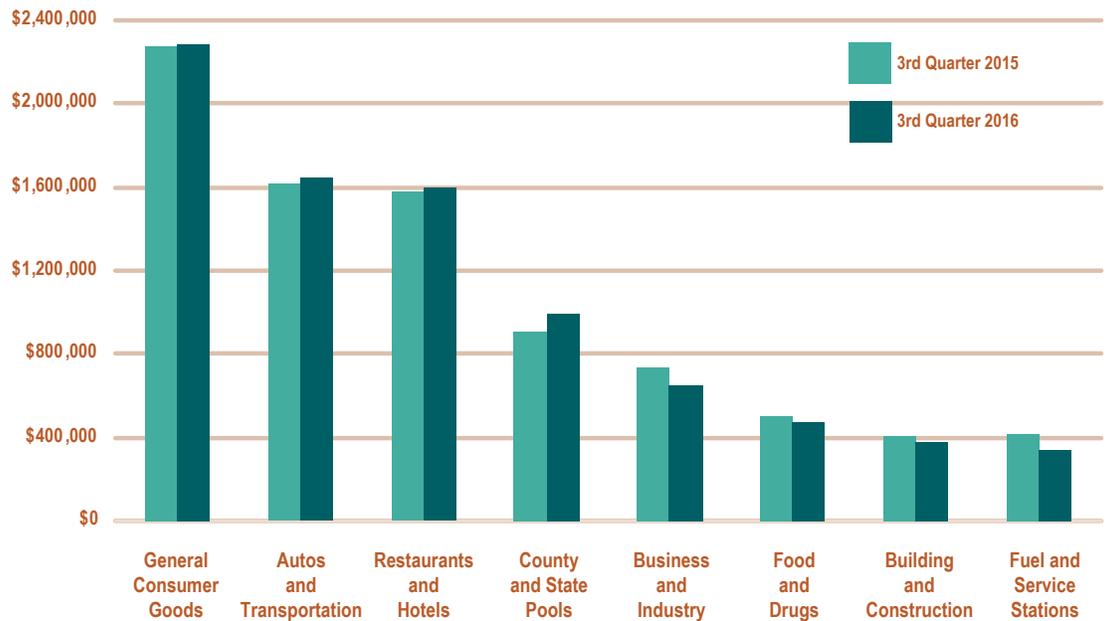
Excess global supplies of crude oil and stable production of refined consumer fuel locally, pushed down gas prices dramatically impacting revenue from service stations, consistent with the state and regional trends. Weak returns from business-industrial merchants, a negative accounting adjustment, and soft summer sales of plumbing/electrical supplies further hurt the overall results.

However, the City experienced solid growth by new auto dealers and increased leasing activity, enhanced by manufacturer incentives and continued low interest rates on long-term financing options. While receipts from fine dining and quick-service restaurants grew with greater variety and new options for consumers.

Allocations from the countywide use tax pool also increased 9%, mostly attributed to the rise in purchases made online, helping to offset some of the declines.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.8% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Orchard Supply Hardware
Audi & Bentley Leasing	Pasadena Volkswagen
Avon Distribution Center	Porsche Leasing
Bed Bath & Beyond	Ross
Best Buy	Rusnak Maserati of Pasadena
California Institute of Technology	Sears
Enterprise Rent A Car	Symes Cadillac
Ganahl Lumber	Target
Honda of Pasadena	Tesla Motors
Langham Huntington Hotel & Spa	Thorson GMC Buick
Macys	Toyota of Pasadena
Nordstrom Rack	Vons
	Whole Foods Market

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$15,012,223	\$14,896,755
County Pool	1,876,559	2,114,986
State Pool	7,702	5,170
Gross Receipts	\$16,896,484	\$17,016,912
Less Triple Flip*	\$(4,224,121)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

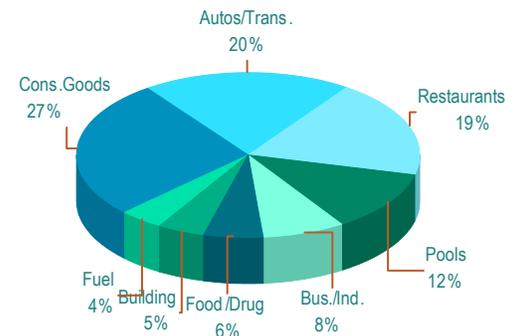
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pasadena This Quarter



PASADENA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Pasadena Q3 '16*	Change	County Change	HdL State Change
Auto Lease	210.1	15.5%	13.6%	14.9%
Casual Dining	692.3	0.1%	5.0%	4.5%
Department Stores	232.5	-0.1%	1.1%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.4%	-0.4%
Electronics/Appliance Stores	404.2	-5.3%	-0.3%	-1.5%
Family Apparel	270.5	-3.2%	6.4%	5.9%
Fast-Casual Restaurants	155.8	-4.9%	5.0%	4.9%
Fine Dining	177.0	1.3%	11.9%	11.9%
Fulfillment Centers	— CONFIDENTIAL —	—	70.9%	19.4%
Grocery Stores	319.8	-7.6%	-6.6%	-2.1%
Home Furnishings	282.7	0.3%	-1.8%	-0.2%
New Motor Vehicle Dealers	1,097.7	3.2%	2.9%	4.8%
Quick-Service Restaurants	368.3	13.2%	10.3%	8.9%
Service Stations	343.5	-18.1%	-18.3%	-13.8%
Specialty Stores	206.7	3.7%	3.3%	2.1%
Total All Accounts	7,373.7	-2.0%	0.3%	0.9%
County & State Pool Allocation	988.2	9.3%	11.9%	11.5%
Gross Receipts	8,361.9	-0.8%	1.6%	2.2%