

Q3 2017



City of Pasadena Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Pasadena In Brief

Pasadena's receipts from July through September were 0.7% above the third sales period in 2016. However, onetime adjustments in the prior year temporarily skewed the results. Excluding reporting aberrations, actual sales were down 1.0%.

Weak returns from multiple categories including department stores, family apparel, specialty and electronic retailers pushed general consumers lower. Likewise, decreased sales hurt business-industry merchants.

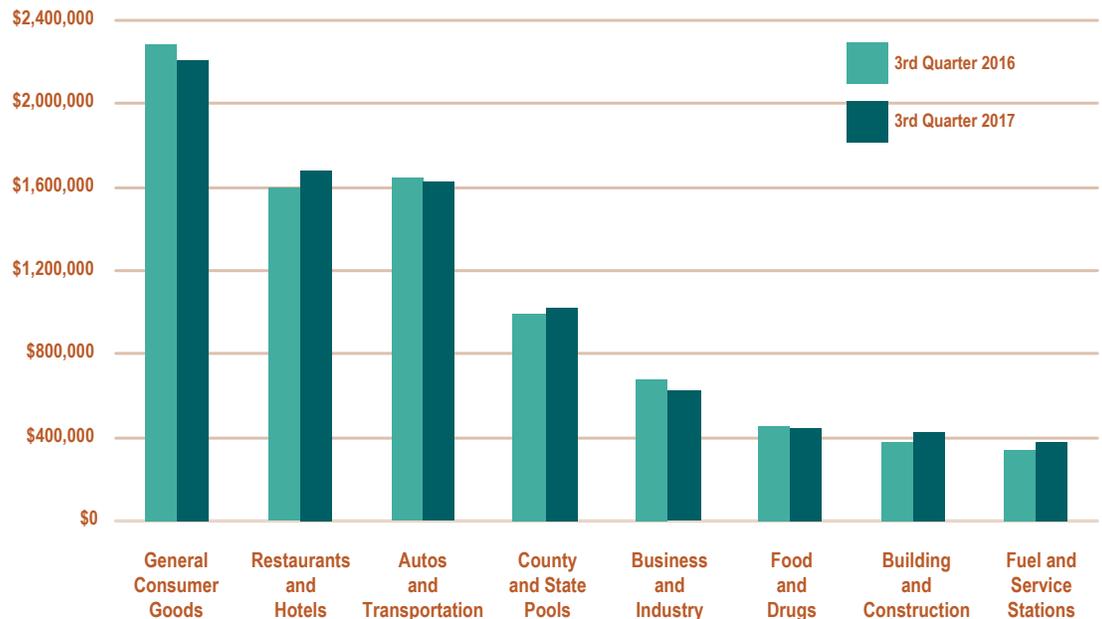
While auto leasing activity increased, weakening demand for new cars, consistent with the countywide trend, depressed auto-transportation results.

However, strong growth from restaurants, supported by new fine dining establishments, and solid summer sales of building-construction supplies helped offset the adjusted drop.

An increased allocation from the countywide use tax pool, largely due to a rise in capital and online purchases shipped into the region, also softened the negative results.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Macys
Audi & Bentley Leasing	Nordstrom Rack
Avon Distribution Center	Porsche Leasing
Bed Bath & Beyond	Ross
Best Buy	Rusnak Luxury Autos
California Institute of Technology	Sears
Enterprise Rent A Car	Symes Cadillac/Land Rover
Ganahl Lumber	Target
Hertz Rent A Car	Tesla Motors
Honda of Pasadena	Thorson GMC Buick
JP Morgan Chase Bank	Toyota of Pasadena
Langham Huntington Hotel & Spa	Vons
	Whole Foods Market

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$14,896,755	\$15,141,383
County Pool	2,114,986	2,076,979
State Pool	5,170	1,733
Gross Receipts	\$17,016,912	\$17,220,095

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

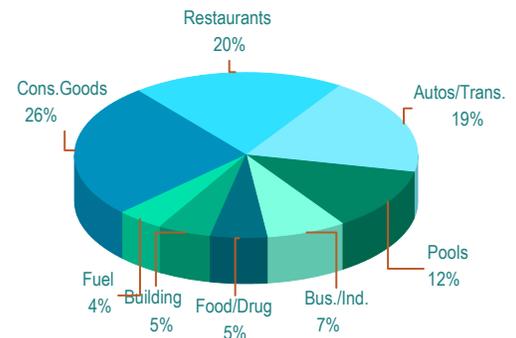
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pasadena This Quarter



PASADENA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Pasadena Q3 '17*	Pasadena Change	County Change	HdL State Change
Auto Lease	214.5	4.1%	3.8%	4.6%
Building Materials	234.5	6.1%	3.3%	5.6%
Casual Dining	686.3	2.6%	3.1%	2.2%
Department Stores	214.0	-8.0%	-8.5%	-7.5%
Discount Dept Stores	— CONFIDENTIAL —		6.3%	6.1%
Electronics/Appliance Stores	389.0	-3.8%	-1.2%	0.3%
Family Apparel	257.5	-4.8%	3.4%	1.7%
Fine Dining	231.9	22.6%	5.9%	9.1%
Fulfillment Centers	— CONFIDENTIAL —		-0.4%	42.6%
Grocery Stores	282.1	-4.4%	0.3%	0.6%
Home Furnishings	285.2	0.9%	3.4%	0.6%
New Motor Vehicle Dealers	1,068.6	-2.7%	-4.1%	0.9%
Quick-Service Restaurants	387.1	5.1%	3.7%	4.8%
Service Stations	372.2	8.4%	6.8%	9.2%
Specialty Stores	201.3	-2.9%	1.6%	2.3%
Total All Accounts	7,392.5	0.3%	3.2%	4.1%
County & State Pool Allocation	1,024.3	3.7%	6.7%	4.8%
Gross Receipts	8,416.9	0.7%	3.6%	4.2%