

Q3 2018



City of Pasadena Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Pasadena In Brief

Pasadena's receipts from July through September were 24.6% above the third sales period in 2017. This dramatic rise is mostly attributed to CDTFA's transition to a new reporting system where multiple returns not processed in the prior period, were received with this quarter's allocations. Once all remittances were shown correctly, actual sales in the current period were up 9.2%.

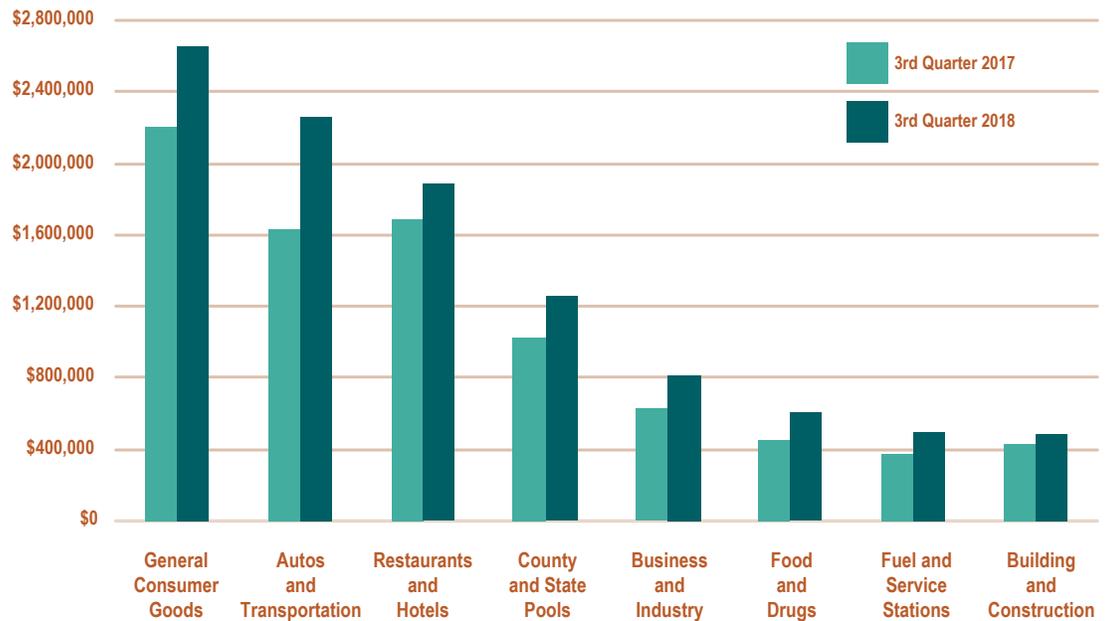
The boost in revenue from auto sales was largely due to a single manufacturer filling back orders. Remaining local dealers pulled back slightly from prior year peaks. Solid summer gains and onetime payments helped push general consumer returns higher.

The current stable housing market, improved infrastructure spending and a strong job market also contributed to a rise in activity at building material providers. New grocery store and convenience store selling liquor enhanced food-drug results.

While restaurants have been continuing to entice new customers with greater variety and creative dining concepts, overall growth appears to be slowing.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.0% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Painting & Calligraphy Art
Audi & Bentley Leasing	Ross
Avon Distribution Center	Rusnak Luxury Autos
Best Buy	Symes Cadillac/Land Rover
California Institute of Technology	Target
Disney Catalog	Tesla Motors
Enterprise Rent A Car	Thorson GMC Buick
Ganahl Lumber	Tiffany & Co
Honda of Pasadena	Toyota of Pasadena
JP Morgan Chase Bank	Trader Joes
Macys	Vons
Nordstrom Rack	Vroman's Bookstore
	Whole Foods Market

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$7,392,541	\$9,227,695
County Pool	1,018,525	1,252,503
State Pool	5,785	4,736
Gross Receipts	\$8,416,851	\$10,484,934

California Overall

The CDTEFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

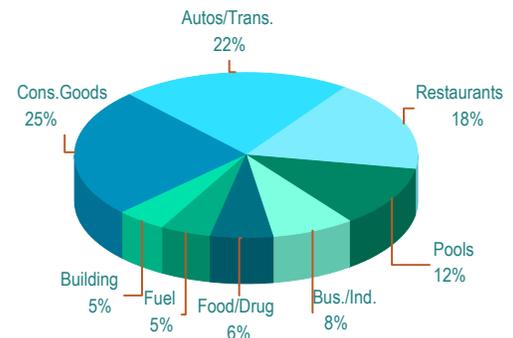
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Pasadena This Quarter**



PASADENA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Pasadena Q3 '18*	Change	County Change	HdL State Change
Auto Lease	303.5	41.5%	44.8%	43.4%
Building Materials	249.3	6.5%	36.3%	29.8%
Casual Dining	832.8	14.1%	16.0%	14.8%
Department Stores	205.9	-3.6%	-1.5%	-3.6%
Discount Dept Stores	— CONFIDENTIAL —		17.9%	18.3%
Electronics/Appliance Stores	386.9	-0.8%	9.7%	12.4%
Family Apparel	392.6	46.8%	36.4%	36.3%
Fast-Casual Restaurants	193.0	8.1%	12.3%	15.2%
Fine Dining	244.4	37.5%	10.3%	15.6%
Grocery Stores	407.1	44.3%	22.4%	16.1%
Home Furnishings	284.7	-1.4%	25.2%	21.9%
New Motor Vehicle Dealers	1,595.8	49.4%	12.1%	12.7%
Quick-Service Restaurants	418.9	7.6%	11.5%	13.4%
Service Stations	499.8	34.6%	43.8%	43.1%
Specialty Stores	313.0	57.3%	12.4%	8.6%
Total All Accounts	9,227.7	24.8%	21.7%	21.8%
County & State Pool Allocation	1,257.2	22.7%	19.7%	27.8%
Gross Receipts	10,484.9	24.6%	21.5%	22.6%