

Q1 2019



City of Pasadena Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Pasadena In Brief

Pasadena's receipts from January through March were 23.1% above the first sales period in 2018 though results were inflated by payment aberrations, most of which were the result of the State's recent software conversion. This caused numerous irregularities in the timing of local revenue allocations and exaggerated posted gains, particularly for the auto leasing, casual dining and grocery store categories. After adjusting for proper payment timing, actual results were up 2.2%.

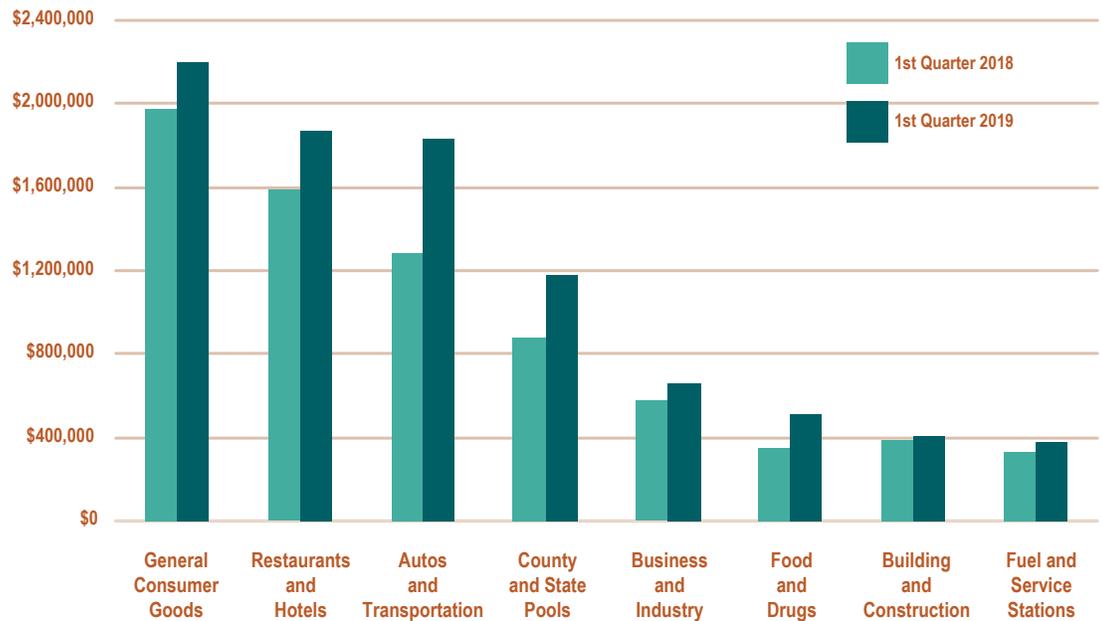
The primary factor in this improvement was higher new car sales that significantly outpaced the State and regional trend. Car sales have generally been plateauing in most jurisdictions, but a fast-growing local dealer helped the City outperform.

Pasadena's dynamic restaurant scene spawned the opening of several new casual dining eateries. Suspected misallocations, however, appear to have inflated auto lease and specialty store revenue.

Electronics/appliance store revenue was down, likely due to the timing of major product cycles and competition from internet sellers.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.9% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Macys
Audi & Bentley Leasing	Nordstrom Rack
Avon Distribution Center	Porsche Leasing
Best Buy	Ross
Brookside Golf Club at the Rose Bowl	Rusnak Luxury Autos
Disney Catalog	Sephora
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	Tiffany & Co
Langham Huntington Hotel & Spa	Toyota of Pasadena
	Vons

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$22,122,622	\$26,396,499
County Pool	3,093,991	3,789,167
State Pool	13,765	13,719
Gross Receipts	\$25,230,378	\$30,199,385

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

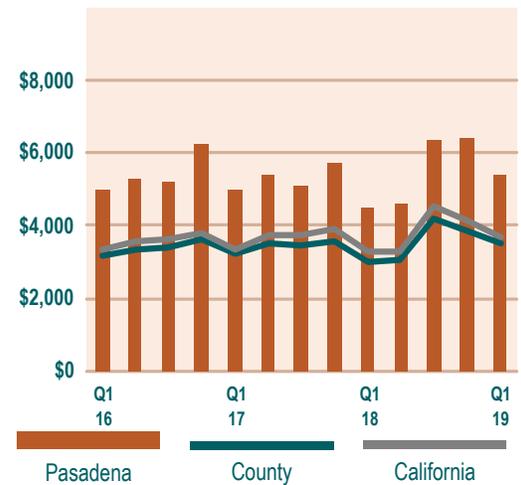
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

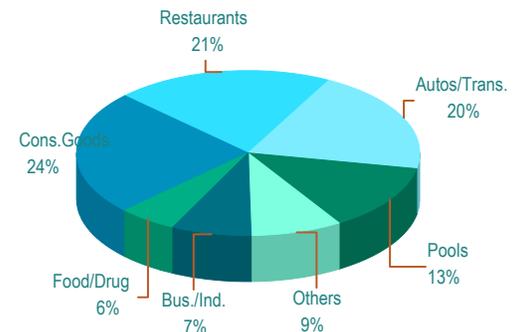
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pasadena This Quarter



PASADENA TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Pasadena		County	HdL State
	Q1 '19*	Change	Change	Change
Auto Lease	— CONFIDENTIAL —		na	na
Building Materials	203.3	-4.9%	3.9%	4.0%
Casual Dining	827.6	24.6%	14.8%	13.3%
Discount Dept Stores	— CONFIDENTIAL —		3.2%	2.8%
Electronics/Appliance Stores	341.0	-19.3%	-8.0%	-3.3%
Family Apparel	257.4	-7.2%	2.7%	7.1%
Fast-Casual Restaurants	182.0	2.9%	8.5%	8.4%
Fine Dining	218.9	-2.6%	9.6%	10.4%
Fulfillment Centers	— CONFIDENTIAL —		22.0%	22.2%
Grocery Stores	317.1	55.1%	42.4%	25.7%
Home Furnishings	229.1	5.8%	3.1%	3.3%
New Motor Vehicle Dealers	1,132.3	10.6%	-0.4%	-1.8%
Quick-Service Restaurants	365.0	1.3%	8.3%	10.1%
Service Stations	375.1	14.8%	21.9%	15.7%
Specialty Stores	301.9	65.3%	29.5%	23.3%
Total All Accounts	7,878.8	21.4%	16.5%	13.5%
County & State Pool Allocation	1,184.2	35.2%	29.8%	23.8%
Gross Receipts	9,063.0	23.1%	18.1%	14.9%