

Q2 2019



City of Pasadena Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Pasadena In Brief

Pasadena's receipts from April through June were 20.2% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system. Excluding reporting aberrations, actual sales were up 2.6%.

Multiple state-related issues and a reporting error in specialty stores magnified the gain in general retail. Most sectors were lower than a year ago.

A new eatery boosted casual dining, however, overall hospitality-related performance on an adjusted basis trailed regional trends. Once deviations were removed in auto-related sectors, the 21.1% rise in new auto sales offset unimpressive results in auto leasing.

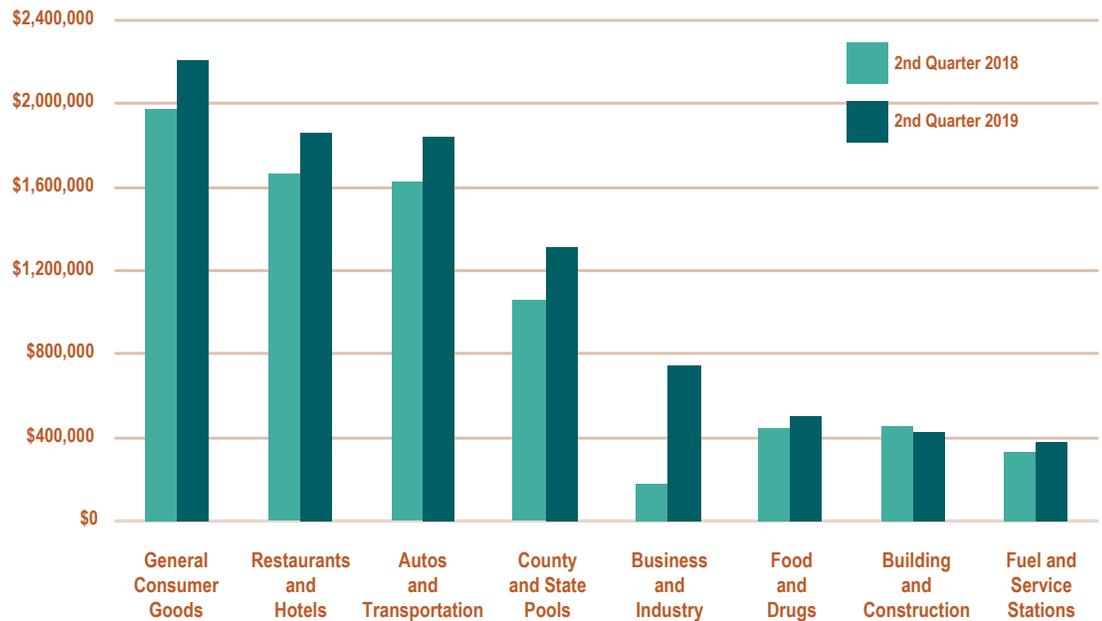
A cluster of refunds and reporting errors accounted for the spike in business and industry. The actual 22.3% decline was due to a onetime accounting adjustment that inflated the year ago quarter.

The increase in the countywide use tax allocation pool continues to positively influence sales tax trends.

The recently approved transactions tax Measure I, which became effective April 1st, generated an additional \$5.3M.

Net of aberrations, taxable receipts for all of Los Angeles County grew 2.6% over the comparable time period.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Nordstrom Rack
Audi & Bentley Leasing	Porsche Leasing
Avon Distribution Center	Ralphs
Best Buy	Ralphs Fresh Fare
California Institute of Technology	Ross
Disney Catalog	Rusnak Luxury Autos
Enterprise Rent A Car	Symes Cadillac/Land Rover
Ganahl Lumber	Target
Honda of Pasadena	Tesla Motors
Langham Huntington Hotel & Spa	Thorson GMC Buick
Macys	Toyota of Pasadena
Marshalls	Verizon Wireless
	Vons

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$28,787,223	\$34,370,944
County Pool	4,154,020	5,100,041
State Pool	16,293	17,201
Gross Receipts	\$32,957,536	\$39,488,186
Measure I	\$0	\$5,351,749

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

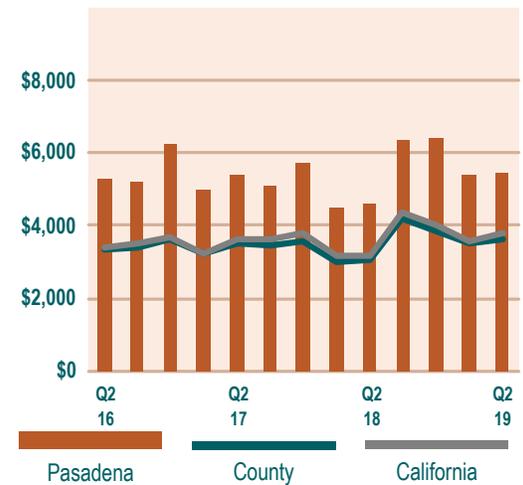
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

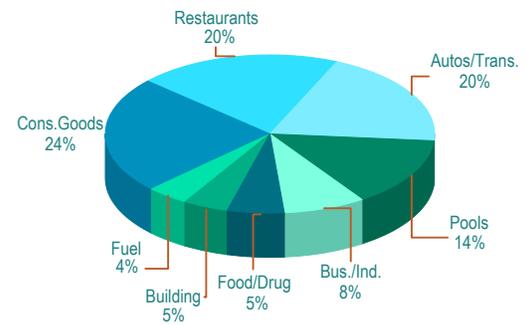
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pasadena This Quarter



PASADENA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Pasadena Q2 '19*	Change	County Change	HdL State Change
Auto Lease	250.9	-44.5%	-49.4%	-48.7%
Building Materials	215.8	-15.0%	48.8%	34.1%
Casual Dining	839.7	29.7%	22.9%	24.5%
Department Stores	190.1	-33.3%	-19.7%	-24.7%
Discount Dept Stores	— CONFIDENTIAL —		29.0%	26.3%
Electronics/Appliance Stores	486.9	13.5%	10.5%	7.0%
Family Apparel	302.3	61.5%	43.1%	45.3%
Fast-Casual Restaurants	173.2	5.5%	17.7%	18.9%
Fine Dining	216.0	20.6%	13.7%	16.3%
Grocery Stores	301.2	22.6%	10.4%	9.6%
Home Furnishings	205.2	-15.0%	20.1%	15.8%
New Motor Vehicle Dealers	1,280.3	47.5%	7.5%	5.4%
Quick-Service Restaurants	390.0	7.4%	12.9%	15.9%
Service Stations	379.9	14.2%	39.6%	51.4%
Specialty Stores	240.7	37.2%	-3.3%	-8.5%
Total All Accounts	7,974.4	19.7%	18.4%	20.1%
County & State Pool Allocation	1,314.4	23.7%	22.4%	22.4%
Gross Receipts	9,288.8	20.2%	19.0%	20.4%