

Q4 2016



City of Pasadena Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Pasadena In Brief

Pasadena's receipts from October through December were 9.3% above the fourth sales period in 2015. Actual sales activity was up 8.5% when reporting aberrations were factored out.

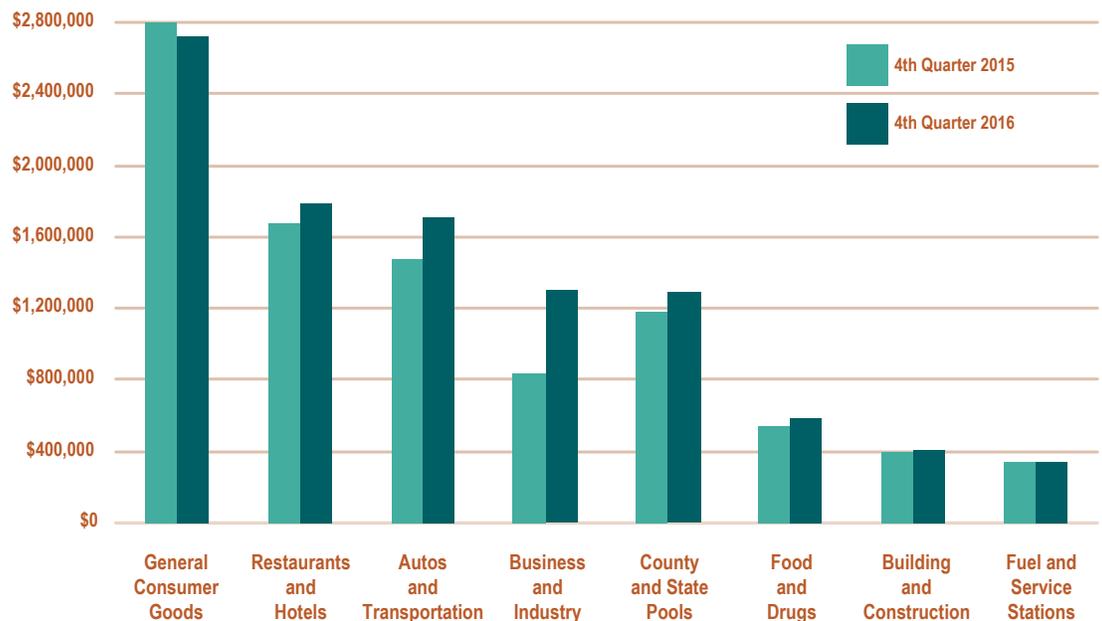
Onetime use tax payments that inflated returns from the business and industry sector were primarily responsible for the current increase. The City experienced a strong sales quarter for new motor vehicle dealers and auto leases.

Recent additions helped boost revenues from fine dining and quick-service restaurants. The City's allocation from the county-wide use tax pool also added to the overall results.

The gains were partially offset by business closeouts and a decline in sales from several categories of general consumer goods.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.2% over the comparable time period; the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Ross
Avon Distribution Center	Rusnak Maserati of Pasadena
Bed Bath & Beyond	Samys Camera
Best Buy	Sears
Enterprise Rent A Car	Symes Cadillac
Ganahl Lumber	Target
GE Packaged Power	Tesla Motors
Honda of Pasadena	Thorson GMC Buick
Langham Huntington Hotel & Spa	Tiffany & Co.
Macys	Toyota of Pasadena
Nordstrom Rack	Vons
Ralphs Fresh Fare	Vroman's Bookstore
	Whole Foods Market

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$23,099,091	\$23,738,816
County Pool	3,039,221	3,396,370
State Pool	26,103	14,245
Gross Receipts	\$26,164,415	\$27,149,431
Less Triple Flip*	\$(6,541,104)	\$0

*Reimbursed from county compensation fund

NOTES

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

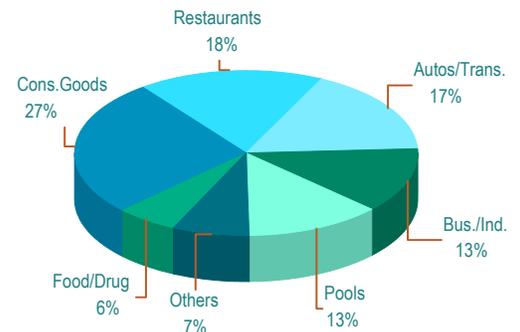
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pasadena This Quarter



PASADENA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Pasadena Q4 '16*	Pasadena Change	County Change	HdL State Change
Building Materials	227.5	0.3%	-1.0%	0.7%
Casual Dining	751.1	2.7%	2.8%	2.3%
Department Stores	296.6	-3.6%	-3.2%	-5.6%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.9%	-0.6%
Electronics/Appliance Stores	512.4	-8.0%	1.6%	-1.2%
Family Apparel	344.4	-4.7%	3.9%	4.6%
Fine Dining	234.3	21.7%	11.0%	13.1%
Fulfillment Centers	— CONFIDENTIAL —	—	2.9%	26.1%
Grocery Stores	388.9	6.6%	6.7%	4.0%
Heavy Industrial	— CONFIDENTIAL —	—	22.4%	13.1%
Home Furnishings	284.8	-5.0%	1.6%	0.4%
New Motor Vehicle Dealers	1,171.5	20.3%	2.7%	5.6%
Quick-Service Restaurants	357.5	6.9%	5.5%	5.7%
Service Stations	336.1	-1.2%	-2.6%	-1.1%
Specialty Stores	225.6	0.2%	5.7%	3.8%
Total All Accounts	8,842.1	9.3%	3.6%	2.4%
County & State Pool Allocation	1,290.5	9.3%	3.5%	6.9%
Gross Receipts	10,132.5	9.3%	3.6%	3.0%