

Q1 2017



City of Pasadena Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Pasadena In Brief

Pasadena's allocation of sales and use tax from its January through March sales was 2.5% higher than the same quarter of 2016.

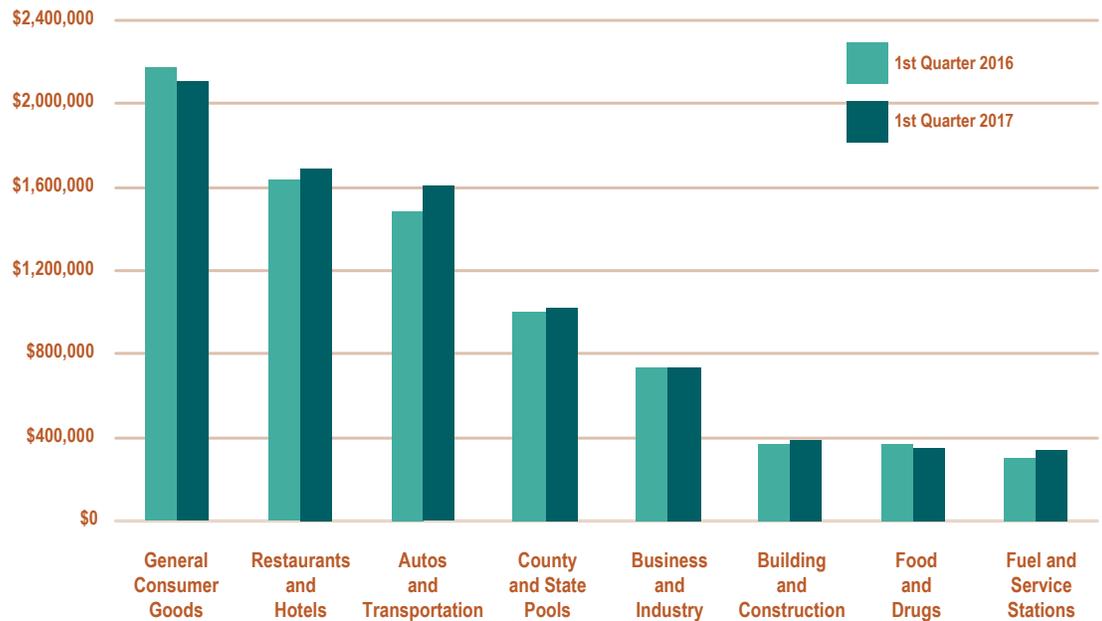
A solid quarter for autos and plumbing/electrical supplies were the primary contributors to the overall increase. Recent additions to the restaurant group and higher fuel prices were also factors.

The gains were partially offset by a decrease in receipts from grocers and most general consumer goods categories including apparel, electronics and department stores. Onetime purchases offset what would have otherwise, been a decline in business-industrial sales.

Receipts from the countywide allocation pool which is composed of use tax from private party vehicle transactions registered at the DMV, out-of-state purchases, leases and on-site installation sales were relatively flat. Pasadena generated 2.2% of countywide taxable sales during the quarter and therefore, received 2.2% of the pool revenue.

Adjusted for reporting anomalies, sales and use tax revenues for all of Los Angeles County grew 2.1% over the comparable time period while Southern California as a whole, was up 2.0%.

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
FEI Company	Target
Ganahl Lumber	Tesla Motors
Hertz Rent A Car	Thorson GMC Buick
Honda of Pasadena	Toyota of Pasadena
Langham Huntington Hotel & Spa	Vons
	Whole Foods Market

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$30,152,902	\$30,966,294
County Pool	4,043,686	4,410,678
State Pool	21,541	24,437
Gross Receipts	\$34,218,128	\$35,401,409
Less Triple Flip*	\$(6,541,104)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

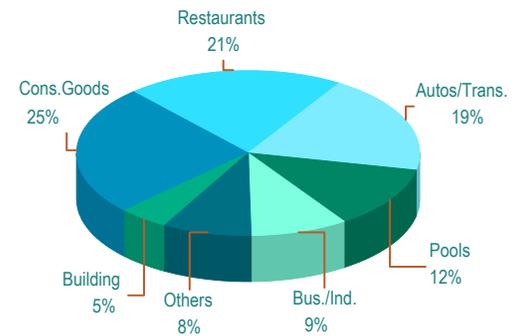
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pasadena This Quarter



PASADENA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Pasadena Q1 '17*	Change	County Change	HdL State Change
Auto Lease	214.6	16.9%	1.6%	1.7%
Building Materials	211.9	-1.1%	7.2%	3.2%
Casual Dining	727.8	-0.4%	0.6%	0.3%
Department Stores	200.0	-2.4%	-4.1%	-6.5%
Discount Dept Stores	—	CONFIDENTIAL	2.5%	1.6%
Electronics/Appliance Stores	372.4	-8.5%	0.2%	-0.2%
Family Apparel	242.0	-6.1%	-0.7%	0.8%
Fine Dining	221.1	21.3%	14.3%	13.6%
Fulfillment Centers	—	CONFIDENTIAL	6.8%	1.6%
Grocery Stores	196.0	-8.0%	1.2%	0.5%
Home Furnishings	260.1	2.4%	-0.4%	-1.9%
New Motor Vehicle Dealers	1,036.3	8.8%	0.9%	4.4%
Quick-Service Restaurants	362.6	10.7%	5.0%	4.6%
Service Stations	337.9	12.3%	6.8%	9.9%
Specialty Stores	198.2	-2.9%	2.1%	0.2%
Total All Accounts	7,227.5	2.5%	2.6%	1.8%
County & State Pool Allocation	1,024.5	2.5%	2.6%	2.9%
Gross Receipts	8,252.0	2.5%	2.6%	1.9%