

Q2 2018



City of Pasadena Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Pasadena In Brief

Pasadena's receipts from April through June were 12.2% below the second sales period in 2017 though the negative result was due to the State's transition to a new software and reporting system that caused a delay in processing for thousands of payments statewide. Sizable local allocations remain outstanding for new motor vehicle dealers, family apparel and business-industrial suppliers.

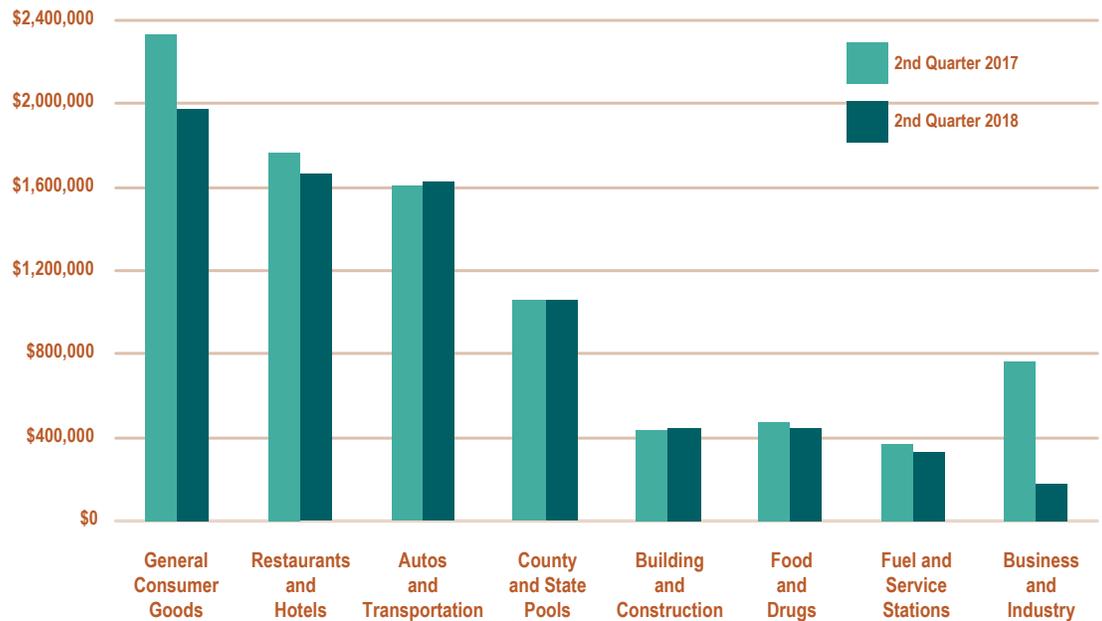
A statewide taxpayer refund for sales activity from many years ago further negatively impacted posted results for business-industrial vendors.

The receipt of delayed payments from the previous quarter caused by the same software conversion issue, however, helped to mitigate some of the cash impacts with large double-up-payments received for auto-lease vendors and hotels. Excluding reporting aberrations, actual economic activity was roughly flat.

Recent business openings lifted the food-drug category net of payment anomalies. Service station revenue would also have been higher due to the increasing price of gasoline.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.6% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Pasadena Volkswagen
Audi & Bentley Leasing	Porsche Leasing
Best Buy	Ralphs
Circle K	Ralphs Fresh Fare
Enterprise Rent A Car	Rusnak Luxury Autos Audi Volvo
Ganahl Lumber	Samys Camera
Hertz Rent A Car	Symes Cadillac/Land Rover
JP Morgan Chase Bank	Target
Langham Huntington Hotel & Spa	Tesla Motors
Macys	Thorson GMC Buick
Marshalls	Toyota of Pasadena
Nordstrom Rack	Vons
	Walters Wholesale Electric

REVENUE COMPARISON

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

	2016-17	2017-18
Point-of-Sale	\$31,192,051	\$28,787,223
County Pool	4,339,837	4,154,020
State Pool	17,746	16,293
Gross Receipts	\$35,549,634	\$32,957,536

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

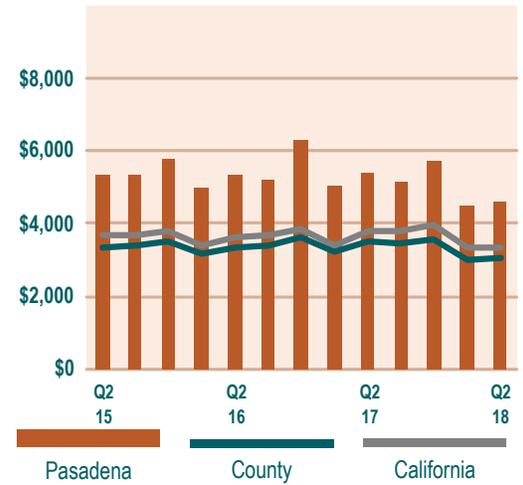
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

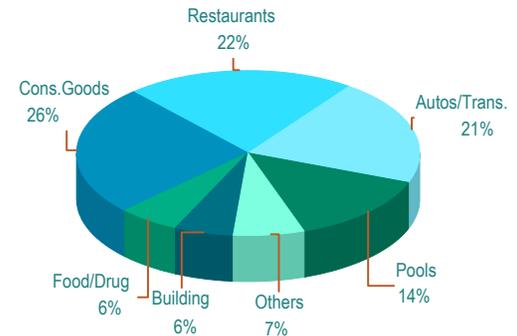
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pasadena This Quarter



PASADENA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Pasadena Q2 '18*	Change	County Change	HdL State Change
Auto Lease	451.9	104.4%	61.0%	60.9%
Building Materials	254.0	-1.7%	-34.3%	-23.2%
Casual Dining	645.6	-13.0%	-11.3%	-12.6%
Department Stores	285.2	13.8%	13.4%	12.7%
Discount Dept Stores	— CONFIDENTIAL —		-15.2%	-13.5%
Electronics/Appliance Stores	428.8	-2.6%	-7.0%	-5.1%
Family Apparel	187.2	-35.2%	-27.3%	-27.2%
Fine Dining	182.3	-7.3%	-3.5%	-3.7%
Grocery Stores	245.8	-17.6%	-12.1%	-7.0%
Home Furnishings	241.0	-10.0%	-28.8%	-21.7%
Hotels-Liquor	192.3	91.4%	3.3%	-6.4%
New Motor Vehicle Dealers	868.3	-16.0%	-5.1%	-1.9%
Quick-Service Restaurants	363.2	-6.7%	-5.9%	-5.8%
Service Stations	332.7	-10.3%	-23.5%	-26.4%
Specialty Stores	179.1	-18.9%	-8.9%	-4.6%
Total All Accounts	6,664.6	-14.0%	-11.9%	-12.2%
County & State Pool Allocation	1,062.6	0.8%	3.2%	5.5%
Gross Receipts	7,727.2	-12.2%	-10.1%	-10.1%