

Q4 2018



City of Pasadena Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Pasadena In Brief

Pasadena's receipts from October through December were 12.7% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 7.4%.

Resolution of manufacturing issues accounted for the double-digit bump in new auto sales while a onetime accounting adjustment spiked results in the business-industry group.

Once a reporting error in specialty stores was removed, holiday retail performance declined in most sectors apart from electronics-appliance stores.

Multi-quarter allocations to resolve outstanding payments due to the CDTFA's software conversion overstated receipts in service stations, restaurants and hotels and the countywide use tax allocation pool.

However, recurring missing payments temporarily depressed actual results in hospitality sectors which were 1.1% lower than a year ago.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.2% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Marshalls
Audi & Bentley Leasing	Nordstrom Rack
Avon Distribution Center	Porsche Leasing
Best Buy	Ralphs
Disney Catalog	Ross
Enterprise Rent A Car	Rusnak Luxury Autos
Ganahl Lumber	Sears
Honda of Pasadena	Symes Cadillac/Land Rover
JP Morgan Chase Bank	Target
Langham Huntington Hotel & Spa	Tesla Motors
Lifecare Solutions	Thorson GMC Buick
Macys	Toyota of Pasadena
	Vons

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$15,633,530	\$18,517,697
County Pool	2,223,519	2,609,441
State Pool	8,177	9,259
Gross Receipts	\$17,865,225	\$21,136,397

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

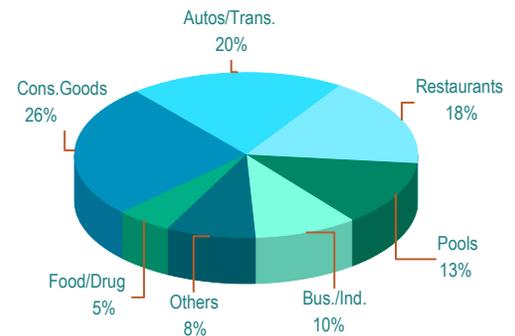
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pasadena This Quarter



PASADENA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Pasadena Q4 '18*	Change	County Change	HdL State Change
Auto Lease	222.7	-6.4%	-7.4%	-11.4%
Building Materials	243.8	7.5%	8.1%	5.5%
Casual Dining	737.5	-0.2%	2.5%	2.5%
Department Stores	288.9	7.4%	-5.8%	-3.4%
Discount Dept Stores	— CONFIDENTIAL —		2.7%	3.9%
Electronics/Appliance Stores	570.0	10.1%	3.3%	-1.6%
Family Apparel	354.8	0.3%	1.6%	0.5%
Fine Dining	236.7	2.4%	5.7%	6.3%
Grocery Stores	312.3	-15.4%	-19.3%	-11.7%
Home Furnishings	272.8	-11.7%	3.8%	0.8%
Medical/Biotech	— CONFIDENTIAL —		19.3%	25.9%
New Motor Vehicle Dealers	1,568.8	38.5%	5.4%	5.8%
Quick-Service Restaurants	389.2	-0.4%	7.0%	6.6%
Service Stations	435.0	18.0%	28.4%	28.4%
Specialty Stores	398.6	68.8%	-10.7%	-10.7%
Total All Accounts	9,290.0	12.7%	9.0%	7.0%
County & State Pool Allocation	1,361.5	12.8%	9.0%	8.6%
Gross Receipts	10,651.5	12.7%	9.0%	7.2%