

Q4 2016



City of Murrieta Sales Tax *Update*

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

Murrieta In Brief

Murrieta's receipts from October through December were 6.9% above the fourth sales period in 2015. Excluding aberrations, actual sales were up 4.9%.

The City enjoyed a strong quarter as all business sectors posted higher results. The largest cash gain came from a 15.1% increase in the City's allocation from the county-wide use tax pool.

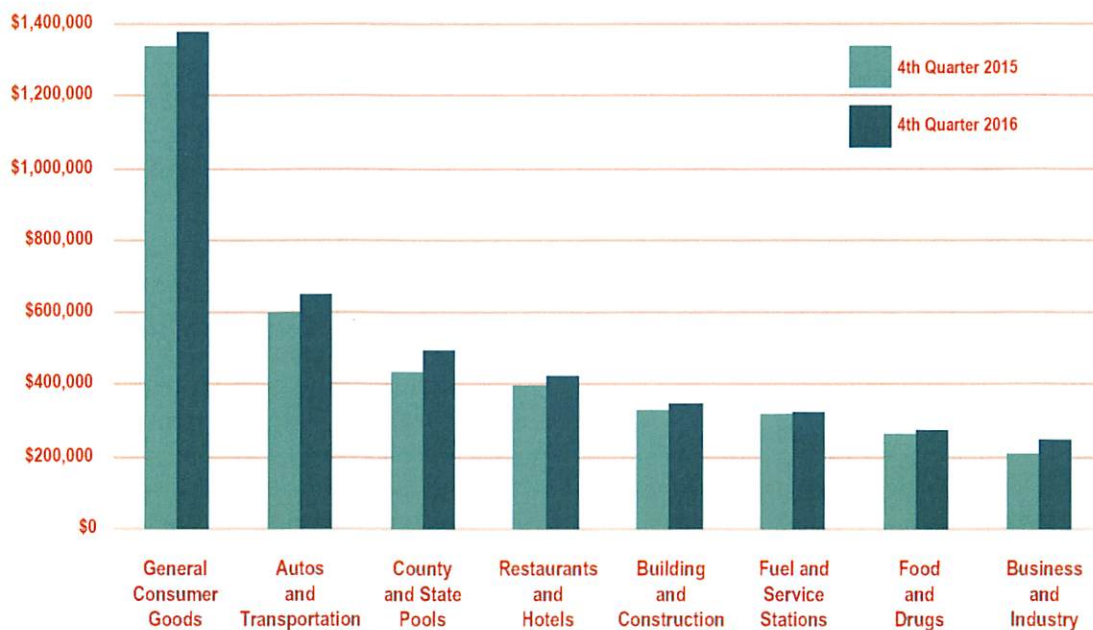
Winners outpaced the losers as the automotive sector, aided by a new dealership, posted an 8.9% gain. Strong sporting goods and home furnishing sales, and a new family apparel outlet lifted the general retail group.

A sizable onetime business services payment and a new garden/agricultural outlet helped produce the gain in business and industry. Higher building material and plumbing/electrical supply sales boosted building and construction, far outpacing regional and state-wide trends. Restaurant sales were higher aided by a new fast casual eatery and a temporary closure in the prior year.

Payment anomalies generated the gains in food and drugs and the fuel group; sales were otherwise flat.

Net of aberrations, taxable sales for all of Riverside County grew 3.1% 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

7 Eleven	Kohls
Arco AM PM	Lowe's
Ashley Furniture	Mor Furniture For Less
Best Buy	Ralphs
BMW of Murrieta	Ross
Burlington Coat Factory	Sams Club w/fuel
Chevron	Shell
Dick's Sporting Goods	Target
Financial Services Vehicle Trust	Temecula Motorsports
Giant Inland Empire RV Center	Tesoro Refining & Marketing
Home Depot	Toys R Us
Jeromes Furniture Warehouse	Volkswagen of Murrieta
	Walmart

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$10,076,267	\$10,516,491
County Pool	1,162,974	1,321,473
State Pool	11,092	6,054
Gross Receipts	\$11,250,333	\$11,844,017
Less Triple Flip*	\$(2,812,583)	\$0

*Reimbursed from county compensation fund

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.

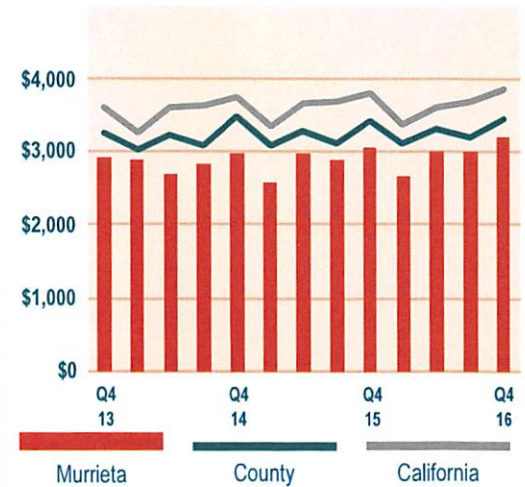
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were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

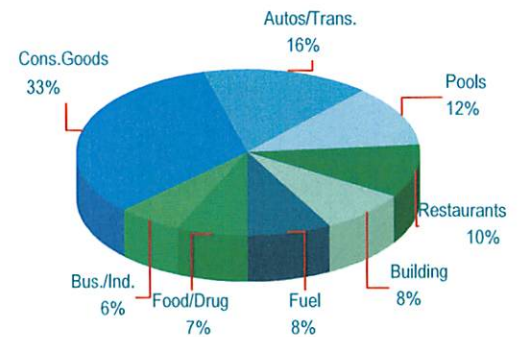
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek 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
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Murrieta	County	HdL State	
	Q4 '16*	Change	Change	Change
Auto Repair Shops	66.3	9.2%	8.4%	4.3%
Boats/Motorcycles	— CONFIDENTIAL —	—	7.1%	3.7%
Building Materials	245.7	9.5%	0.2%	0.7%
Casual Dining	140.2	9.3%	6.8%	2.7%
Discount Dept Stores	— CONFIDENTIAL —	—	0.2%	-0.6%
Electronics/Appliance Stores	157.3	-2.7%	-0.6%	-1.3%
Family Apparel	97.6	28.7%	5.5%	4.7%
Grocery Stores	186.2	-0.9%	9.8%	3.9%
Home Furnishings	188.9	8.4%	-0.1%	0.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	6.6%	5.6%
Quick-Service Restaurants	214.9	2.2%	7.4%	5.7%
Service Stations	327.5	6.7%	-3.5%	-1.0%
Specialty Stores	145.7	8.0%	0.1%	3.6%
Sporting Goods/Bike Stores	65.5	13.9%	0.3%	0.7%
Trailers/RVs	— CONFIDENTIAL —	—	10.9%	11.0%
Total All Accounts	3,656.5	6.1%	2.5%	2.4%
County & State Pool Allocation	493.4	13.9%	10.1%	6.9%
Gross Receipts	4,149.9	6.9%	3.3%	3.0%