

Q2 2017



City of Murrieta Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Murrieta In Brief

Murrieta's receipts for April through June sales were 14.8% higher than the same quarter one year ago.

Prior additions to the automotive sector were major factors for the overall increase, although group gains were somewhat inflated by adjustments that affected several categories. New outlets helped family apparel, fast casual eateries and the business and industry group.

Solid sales of building materials and contractor supplies buoyed building and construction sector returns. Accounting anomalies inflated results from casual dining and quick-service restaurants, but understated the impact of higher fuel prices on service station returns.

Recoveries garnered by the City's ongoing point-of-sale audit program temporarily offset declines in sales in several categories of consumer goods, including sporting goods and home furnishings where prior store closings were a factor for revenue losses. Reallocations that affected both quarters were responsible for the lower cash receipts from the county use tax pool.

Adjusted for onetime reporting events, taxable sales for all of Riverside County increased 5.7% over the same period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

7 Eleven	Kohls
Arco AM PM	Lowes
Ashley Furniture	Pool & Electrical Products
Best Buy	Ralphs Marketplace
BMW of Murrieta	Ross
Carmax	Sams Club w/ Fuel
Chevron	Shell
Dauids Bridal	Target
Financial Services Vehicle Trust	Temecula Motorsports
Giant Inland Empire RV Center	Tesoro Refining & Marketing
Home Depot	Volkswagen of Murrieta
Jeromes Furniture Warehouse	Walmart
Johnson Machinery	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$3,423,501	\$4,011,424
County Pool	409,741	392,313
State Pool	1,169	(2,026)
Gross Receipts	\$3,834,411	\$4,401,711
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

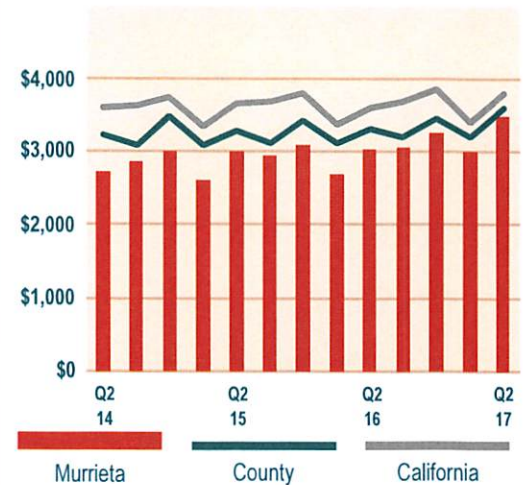
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

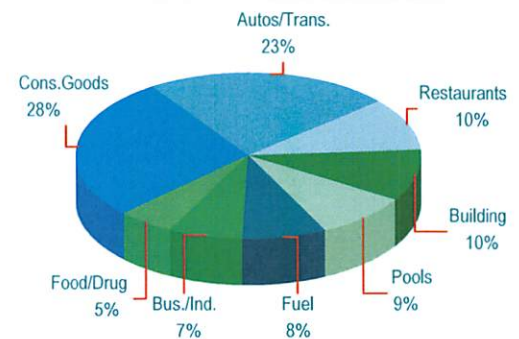
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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	
	Q2 '17*	Change	Change	Change
Boats/Motorcycles	— CONFIDENTIAL —		6.9%	4.5%
Building Materials	289.9	10.7%	10.0%	6.0%
Casual Dining	158.1	7.7%	4.0%	1.9%
Contractors	91.7	32.9%	18.1%	9.7%
Discount Dept Stores	— CONFIDENTIAL —		2.3%	3.2%
Electronics/Appliance Stores	118.6	-5.4%	-1.9%	0.3%
Family Apparel	86.9	21.8%	3.7%	4.0%
Grocery Stores	149.8	4.7%	3.6%	2.1%
Home Furnishings	180.4	-11.3%	-4.7%	0.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —		3.2%	1.4%
Quick-Service Restaurants	231.2	4.5%	7.7%	5.9%
Service Stations	338.7	2.6%	2.1%	8.6%
Specialty Stores	101.3	1.1%	0.9%	1.4%
Trailers/RVs	— CONFIDENTIAL —		13.9%	8.9%
Used Automotive Dealers	— CONFIDENTIAL —		29.3%	2.7%
Total All Accounts	4,011.4	17.2%	10.3%	6.4%
County & State Pool Allocation	390.3	-5.0%	-10.6%	-9.9%
Gross Receipts	4,401.7	14.8%	8.0%	4.1%