Q3 2017

Murrieta
the future of southern california

City of Murrieta
Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Murrieta In Brief

Murrieta's receipts from July through September were 10.9% above the third sales period in 2016.

The return of higher gas prices resulted in an increase in revenue from service stations. A onetime use tax payment was responsible for the increase for contractors, while a stable housing market and steady summer sales had a favorable outcome for building materials.
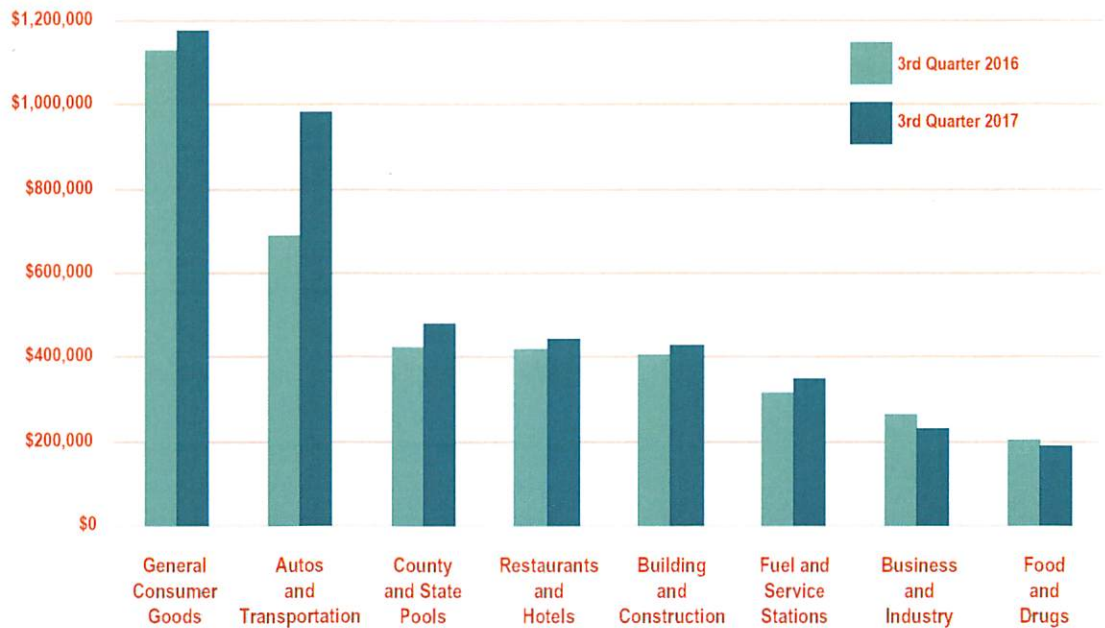
Greater variety and new choices drove consumer interest in eating out, with increases for casual dining and quick-service restaurants. The autos-transportation group experienced a strong sales quarter.

A business closure and sluggish sales had a negative impact on home furnishings. The correction of a local tax payment received in error in a prior quarter caused the drop in light industrial/printers.

The City's share of the countywide use tax pool increased 13.1% over the comparison period.

Net of aberrations, taxable sales for all of Riverside County grew 5.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP

Legend: 3rd Quarter 2016; 3rd Quarter 2017

Categories: General Consumer Goods; Autos and Transportation; County and State Pools; Restaurants and Hotels; Building and Construction; Fuel and Service Stations; Business and Industry; Food and Drugs

TOP 25 PRODUCERS
IN ALPHABETICAL ORDER

7 Eleven
Abramovich Motors
Arco AM PM
Ashley Furniture
Best Buy
BMW of Murrieta
Burlington
Carmax
Chevron
Dick's Sporting Goods
Giant Inland Empire RV Center
Hinckley Company
Home Depot
Jeromes Furniture Warehouse
Kohls
Lowes
Mor Furniture For Less
Ross
Sams Club w/ Fuel
Shell
Target
Temecula Motorsports
Tesoro Refining & Marketing
Volkswagen of Murrieta
Walmart

REVENUE COMPARISON
Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	$6,859,961	$7,810,096
County Pool	831,815	869,678
State Pool	2,338	915
Gross Receipts	$7,694,114	$8,680,688

NOTES

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA

Murrieta   County   California
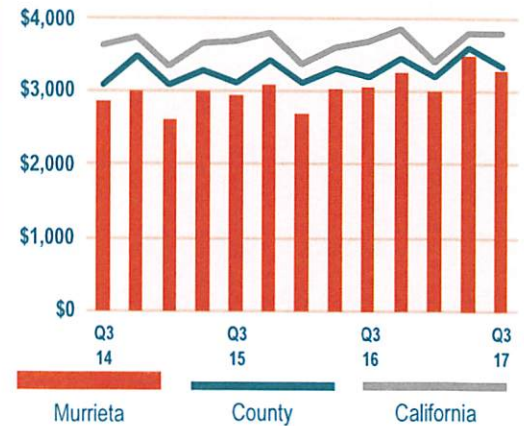
REVENUE BY BUSINESS GROUP
Murrieta This Quarter
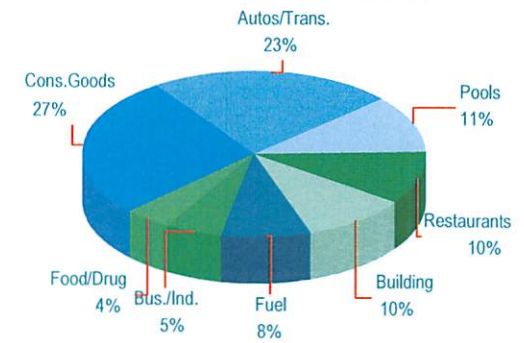
MURRIETA TOP 15 BUSINESS TYPES

*In thousands of dollars	Murrieta		County	HdL State
Business Type	**Q3 '17***	**Change**	**Change**	**Change**
Boats/Motorcycles	162.8	9.5%	10.9%	2.6%
Building Materials	284.7	4.1%	4.8%	5.6%
Casual Dining	154.5	8.0%	5.1%	2.2%
Contractors	88.0	13.1%	5.5%	6.3%
Discount Dept Stores	— CONFIDENTIAL —		4.5%	6.1%
Electronics/Appliance Stores	112.3	-2.5%	-2.9%	0.3%
Family Apparel	86.9	26.4%	0.0%	1.7%
Grocery Stores	102.7	-20.5%	1.6%	0.6%
Home Furnishings	192.6	-4.6%	-3.5%	0.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		3.9%	0.9%
Quick-Service Restaurants	225.9	4.3%	5.3%	4.8%
Service Stations	347.5	9.5%	8.7%	9.2%
Specialty Stores	97.3	10.1%	-0.6%	2.3%
Trailers/RVs	— CONFIDENTIAL —		2.1%	5.5%
Used Automotive Dealers	— CONFIDENTIAL —		26.7%	3.0%
Total All Accounts	**3,798.7**	**10.5%**	**6.0%**	**4.1%**
County & State Pool Allocation	**480.3**	**13.5%**	**8.8%**	**4.8%**
Gross Receipts	**4,279.0**	**10.9%**	**6.3%**	**4.2%**