

Q3 2018



City of Murrieta Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Murrieta In Brief

Murrieta's receipts from July through September were 31.8% above the third sales period in 2017 as a result of the City receiving a significant amount of delayed allocations that were not processed in 2Q18 due to the State's software conversion project. Excluding these allocations and other aberrations, actual sales were up 8.0%.

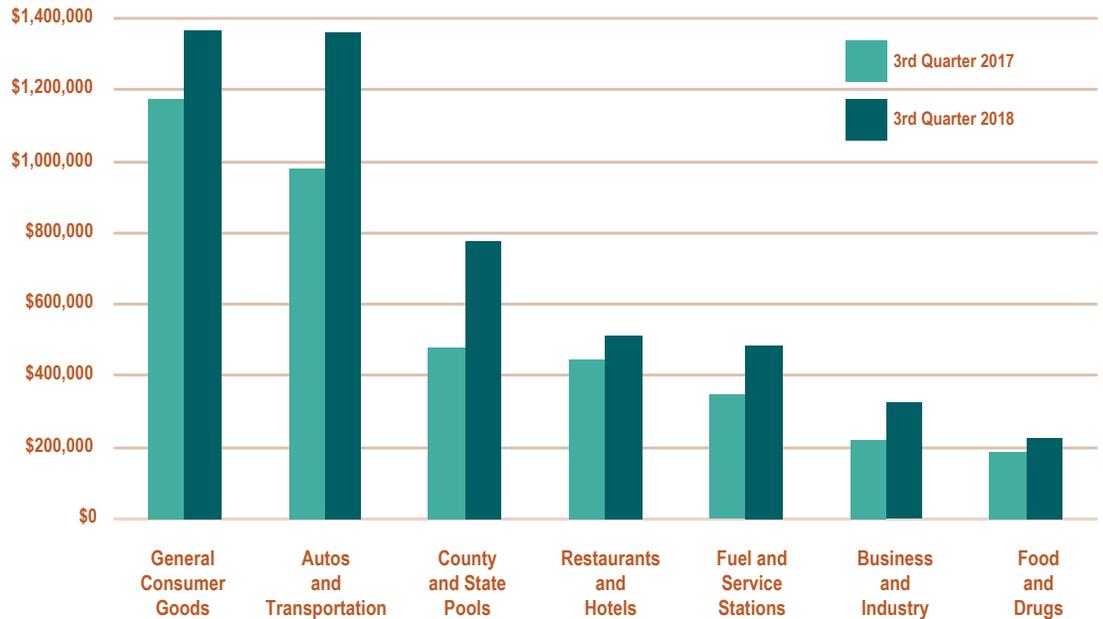
All major business groups posted higher actual sales except general consumer goods, which was impacted by two specialty store closures. Fuel sales were up 16.5% consistent with statewide trends due to higher retail gas prices. The automotive groups saw mixed results from various sectors in posting a 5.1% increase in sales.

A spike in receipts from one grocery store boosted food and drugs sales, while a 26.0% increase in contractors' supplies sales lifted building and construction. Dining out sales were up 3.1%. The City's allocation from the countywide use tax pool increased 62.7% due to a large spike in receipts in the pool during the quarter.

The City's recently approved Measure T 1% transaction tax will become effective April 1, 2019.

Net of aberrations, taxable sales for all of Riverside County grew 6.3% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lowes
Abramovich Motors	Murrieta Gas
Arco AM PM	Ralphs Marketplace
Ashley Furniture	Ross
Best Buy	Sams Club w/ Fuel
BMW of Murrieta	SCP Distributors
Carmax	Shell
Circle K	Target
Financial Services Vehicle Trust	Temecula Motorsports
Giant RV	Temecula Winnelson
Home Depot	Volkswagen of Murrieta
Jeromes Furniture Warehouse	Walmart
Kohls	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$3,798,672	\$4,860,135
County Pool	477,364	776,525
State Pool	2,941	2,547
Gross Receipts	\$4,278,977	\$5,639,208

California Overall

The CDTEFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

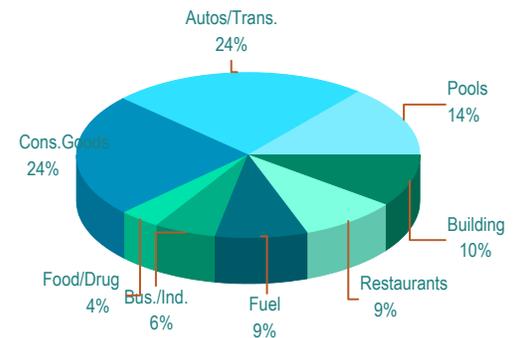
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Murrieta		County	HdL State
	Q3 '18*	Change	Change	Change
Auto Repair Shops	75.8	16.7%	20.0%	14.5%
Boats/Motorcycles	—	CONFIDENTIAL	21.8%	14.8%
Building Materials	354.9	25.0%	28.5%	29.8%
Casual Dining	181.2	12.4%	16.6%	15.0%
Contractors	180.9	84.4%	30.6%	36.8%
Discount Dept Stores	—	CONFIDENTIAL	23.8%	18.3%
Electronics/Appliance Stores	125.8	12.0%	15.4%	12.7%
Family Apparel	125.9	44.9%	34.8%	36.3%
Grocery Stores	137.6	34.0%	19.8%	16.1%
Home Furnishings	196.0	1.3%	15.5%	23.2%
New Motor Vehicle Dealers	—	CONFIDENTIAL	6.4%	12.7%
Quick-Service Restaurants	252.1	11.8%	17.5%	13.5%
Service Stations	482.3	38.8%	42.2%	43.1%
Trailers/RVs	—	CONFIDENTIAL	15.2%	14.0%
Used Automotive Dealers	—	CONFIDENTIAL	71.6%	47.0%
Total All Accounts	4,860.1	27.9%	22.2%	21.8%
County & State Pool Allocation	779.1	62.2%	54.9%	27.8%
Gross Receipts	5,639.2	31.8%	25.9%	22.6%