

Q1 2019



City of Murrieta Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Murrieta In Brief

Murrieta's receipts from January through March were 14.5% above the first sales period in 2018. Excluding reporting aberrations, actual sales were up 0.7%.

The persistent impact from the CDTFA software conversion overstated results in multiple categories including service stations, grocery stores, fast-casual restaurants, specialty stores and variety stores. Once removed, post-holiday retail was lower than a year ago. About half of the 5.6% decline was due to a store closeout.

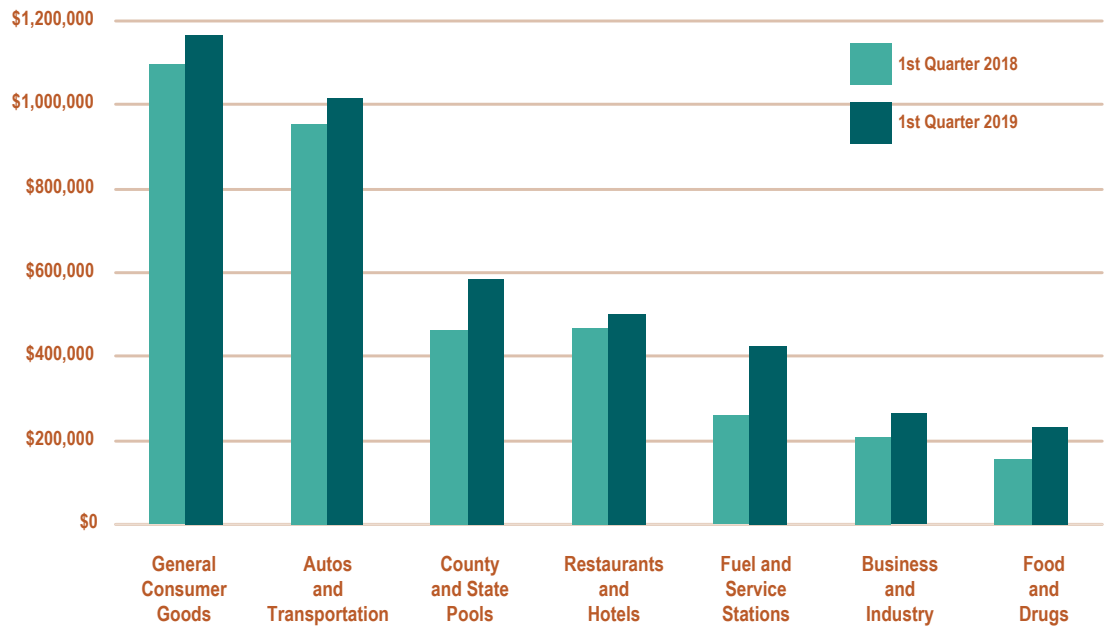
Auto-related sales activity outpaced regional trends on an actual basis posting a 4.0% gain. Non-recurring use tax lifted business to business receipts.

Higher overall receipts combined with a year-ago reporting error contributed to the spike in the City's share of the countywide use tax allocation pool.

The City's voter-approved transactions tax, Measure T, is effective April 1st 2019.

Net of aberrations, taxable sales for all of Riverside County grew 1.4% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Jeromes Furniture Warehouse
Abramovich Motors	Kohls
Albertsons	Lowes
Arco AM PM	Mor Furniture For Less
Arizona Tile	Ralphs Marketplace
Ashley Furniture	Ross
Best Buy	Sams Club w/ Fuel
BMW of Murrieta	Shell
Carmax	Target
Chevron	Temecula Motorsports
Dick's Sporting Goods	Volkswagen of Murrieta
Giant Rv	Walmart
Home Depot	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$11,421,197	\$13,053,668
County Pool	1,453,228	2,034,148
State Pool	7,142	6,872
Gross Receipts	\$12,881,567	\$15,094,687

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

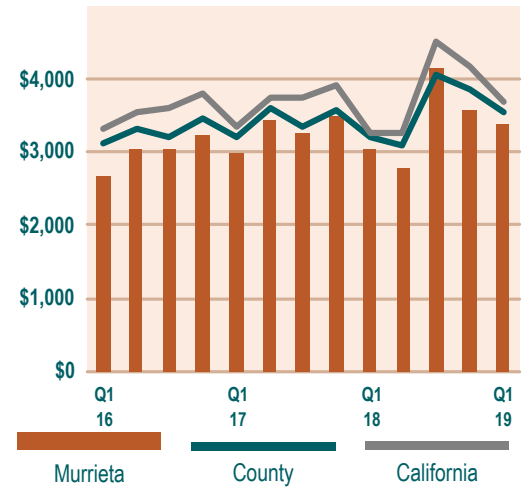
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

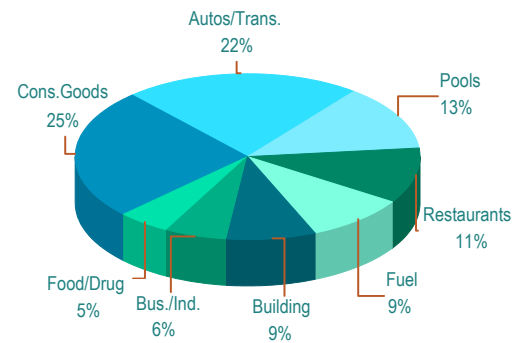
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

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
	Q1 '19*	Change	Change	Change
Auto Repair Shops	74.1	2.1%	13.1%	12.5%
Boats/Motorcycles	—	CONFIDENTIAL	-12.2%	0.4%
Building Materials	258.2	5.7%	9.2%	4.0%
Casual Dining	185.5	8.0%	13.9%	13.3%
Contractors	83.3	-13.4%	-7.0%	4.8%
Discount Dept Stores	—	CONFIDENTIAL	6.4%	2.8%
Electronics/Appliance Stores	113.3	-3.8%	-1.4%	-3.3%
Family Apparel	91.6	3.2%	5.2%	7.1%
Grocery Stores	149.3	58.3%	34.7%	25.7%
Home Furnishings	183.1	-1.2%	7.1%	3.3%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-2.4%	-1.8%
Quick-Service Restaurants	228.8	2.4%	11.8%	10.1%
Service Stations	426.5	63.1%	20.6%	15.7%
Trailers/RVs	—	CONFIDENTIAL	5.5%	-0.8%
Used Automotive Dealers	—	CONFIDENTIAL	12.9%	13.4%
Total All Accounts	3,997.0	12.9%	11.7%	13.5%
County & State Pool Allocation	585.2	26.9%	25.6%	23.8%
Gross Receipts	4,582.1	14.5%	13.3%	14.9%