

Q4 2019



City of Murrieta Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Murrieta In Brief

Murrieta's receipts from October through December were 4.8% above the fourth sales period in 2018. Excluding reporting adjustments, results were 4.3% above.

Autos and transportation, led by used automotive dealers, combined with continued stellar return from the countywide use tax pool were the primary factors attributable to a high performing quarter.

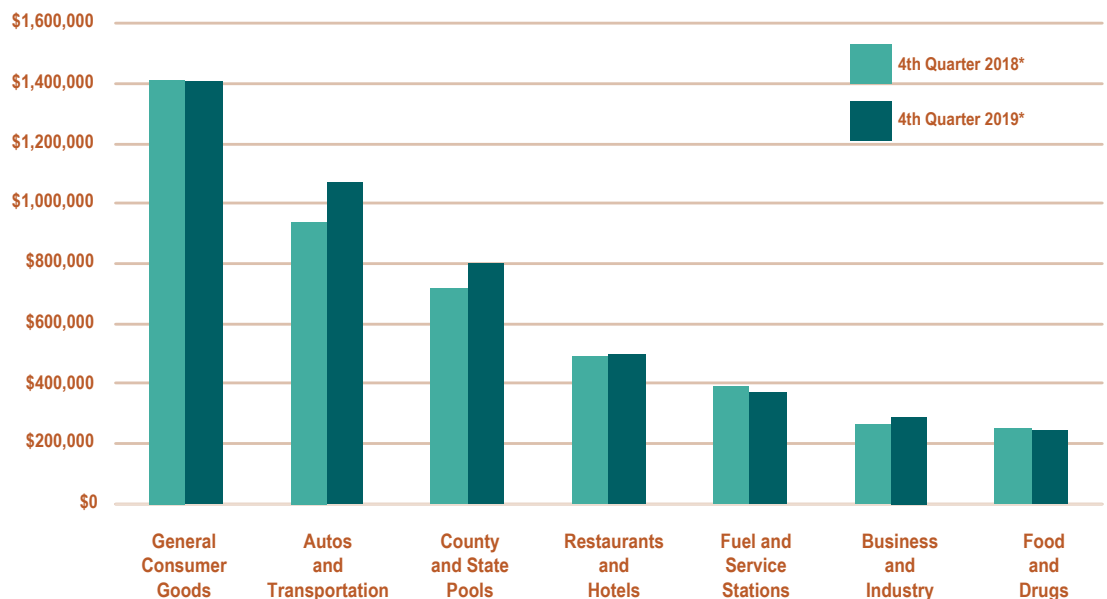
The City also received positive returns from medical biotech and heavy industrial businesses along with an uptick in local dining from quick-service and casual restaurants.

Offsets to the overall quarterly gain were realized from service stations, which experienced sales below county and state trends for the fourth consecutive quarter. Business services, electrical equipment and electronic/appliance receipts were also down.

The City received \$4,978,900 in transaction and use tax from the voter approved Measure T, which represents 98.4% of the Bradley Burns amount.

Net of aberrations, taxable sales for all of Riverside County grew 4.8% over the comparable time period; the Southern California region was up 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abramovich Motors	Kohls
Albertsons	Loma Linda Mercantile
Ashley Furniture	Lowes
Best Buy	Ralphs Marketplace
Bmw Of Murrieta	Ross
Burlington	Sams Club w/ Fuel
Carmax	Shell
Chevron	Shell/Arco AM PM
Circle K	Target
Dick's Sporting Goods	Temecula Motorsports
Giant RV	Volkswagen of Murrieta
Home Depot	Walmart
Jerome's	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$9,056,701	\$8,570,193
County Pool	1,451,233	1,411,815
State Pool	4,616	3,799
Gross Receipts	\$10,512,550	\$9,985,808
Measure T	\$0	\$9,583,820

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

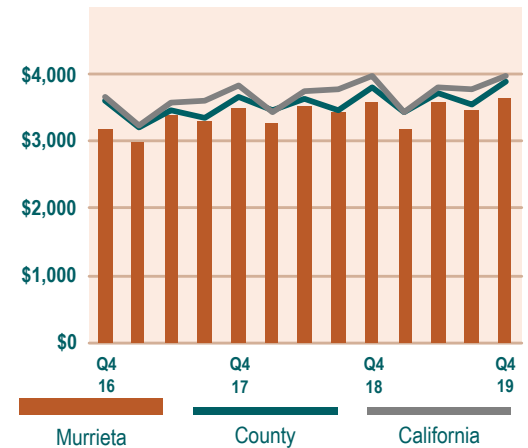
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

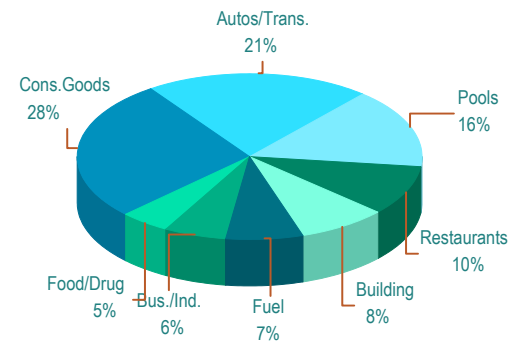
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Murrieta This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

MURRIETA TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Murrieta Q4 '19*	Change	County Change	HdL State Change
Boats/Motorcycles	— CONFIDENTIAL —		8.4%	0.3%
Building Materials	268.3	2.6%	-0.5%	1.4%
Casual Dining	173.0	-7.5%	3.5%	3.8%
Contractors	101.6	-0.9%	-5.5%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —		5.9%	3.6%
Electronics/Appliance Stores	155.1	-4.9%	-4.0%	-6.6%
Family Apparel	116.6	2.6%	7.2%	1.3%
Grocery Stores	155.0	1.8%	1.1%	1.3%
Home Furnishings	202.1	5.7%	-0.4%	-2.1%
Medical/Biotech	95.7	250.5%	12.9%	-1.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —		7.2%	-3.4%
Quick-Service Restaurants	243.3	4.9%	3.6%	1.9%
Service Stations	372.1	-4.7%	2.0%	0.2%
Trailers/RVs	— CONFIDENTIAL —		2.4%	-5.7%
Used Automotive Dealers	420.6	15.4%	14.7%	4.5%
Total All Accounts	4,299.9	3.1%	3.4%	0.2%
County & State Pool Allocation	802.8	11.8%	12.6%	26.7%
Gross Receipts	5,102.7	4.3%	4.8%	4.2%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.