

Q4 2018



City of Murrieta Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Murrieta In Brief

Murrieta's receipts from October through December were 5.9% higher than the same sales quarter last year. Actual sales activity increased 1.6% after accounting aberrations were factored out.

The State continues to focus on solving its issues with the transition to a new software system, with revenue from prior periods still flowing into local government agencies. Double payments temporarily buoyed both service station and restaurant returns.

Despite a business closure and missing/late payments, autos-transportation group revenues were down only 0.6%. Strong holiday online sales helped boost the City's share of the countywide use tax pool receipts 30.4%.

The gains were partially offset by two specialty store closures which negatively impacted overall general consumer goods results.

Net of aberrations, taxable sales for all of Riverside County grew 6.2% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abramovich Motors	Mor Furniture For Less
Arco AM PM	Ralphs Marketplace
Ashley Furniture	Ross
Best Buy	Sams Club w/ Fuel
BMW of Murrieta	Shell
Burlington	Superior Ready Mix Concrete
Carmax	Target
Chevron	Temecula Motorsports
Circle K	Volkswagen of Murrieta
Giant RV	Walgreens
Home Depot	Walmart
Jeromes Furniture Warehouse	
Kohls	
Lowes	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$7,879,954	\$9,056,701
County Pool	995,098	1,451,233
State Pool	4,105	4,616
Gross Receipts	\$8,879,158	\$10,512,550

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

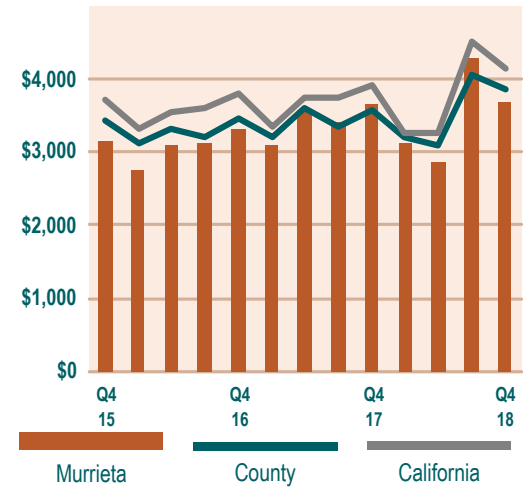
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

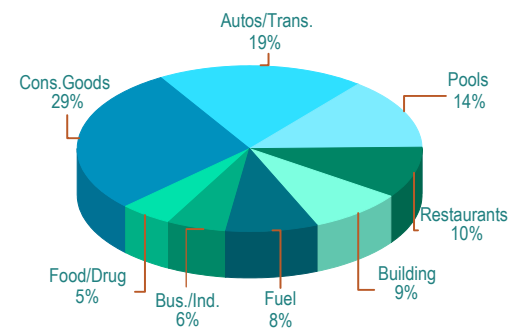
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Murrieta Q4 '18*	Murrieta Change	County Change	HdL State Change
Boats/Motorcycles	— CONFIDENTIAL —	—	-6.3%	-0.9%
Building Materials	261.6	-1.6%	8.6%	5.5%
Casual Dining	181.2	18.2%	2.6%	2.5%
Contractors	125.8	18.9%	19.2%	17.4%
Discount Dept Stores	— CONFIDENTIAL —	—	7.9%	4.0%
Electronics/Appliance Stores	159.5	-2.1%	1.9%	-1.6%
Family Apparel	109.3	1.9%	0.1%	0.4%
Grocery Stores	137.2	-21.1%	-15.6%	-11.7%
Home Furnishings	190.0	-0.1%	-0.2%	0.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	0.5%	5.8%
Quick-Service Restaurants	241.5	5.4%	7.1%	6.6%
Service Stations	411.5	25.8%	27.2%	28.5%
Specialty Stores	88.1	-38.6%	-7.8%	-10.8%
Trailers/RVs	— CONFIDENTIAL —	—	7.2%	4.3%
Used Automotive Dealers	— CONFIDENTIAL —	—	10.3%	5.4%
Total All Accounts	4,196.6	2.8%	9.6%	7.0%
County & State Pool Allocation	676.8	30.4%	39.0%	8.6%
Gross Receipts	4,873.3	5.9%	12.9%	7.2%