

Q1 2020



City of Murrieta Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Murrieta In Brief

Murrieta's receipts from January through March were 20.0% below the first sales period in 2019. Excluding reporting aberrations, actual sales were up 0.5%.

The City continued to experience strong performance from the countywide use tax pool, which was the primary reason. Building and construction receipts, including building materials, contractors, and plumbing and electrical were up.

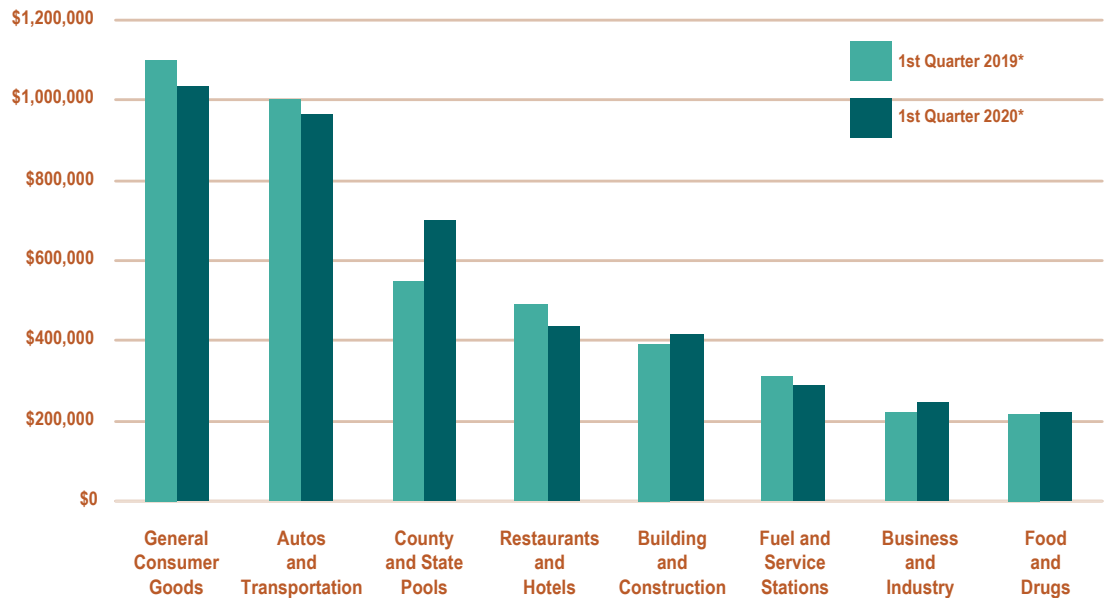
Medical biotech returns contributed significantly to the overall positive story, and Shelter in place restrictions resulting from COVID-19 caused consumers to spend more in convenience stores.

A downturn in most business types within general consumer goods, including electronics/appliance stores, family apparel, home furnishings, and sporting goods offset the overall gain. Reduced demand to travel ground fuel consumption and the associated sales tax to a halt.

The City's Transaction and Use Tax Measure T generated 83.5% of the Bradley Burns amount.

Net of aberrations, taxable sales for all of Riverside County declined 0.3% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abramovich Motors	Lowes
Albertsons	Ralphs Marketplace
Ashley Furniture	Ross
Auto Gallery Mitsubishi Murrieta	Sams Club w/ Fuel
Best Buy	Shell
Bmw Of Murrieta	Shell/Arco AM PM
Carmax	Stater Bros
Circle K	Target
Dick's Sporting Goods	Temecula Motorsports
Giant RV	Volkswagen of Murrieta
Home Depot	Walmart
Jerome's	West Coast Exotic Cars
Loma Linda Mercantile	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$13,053,668	\$11,773,356
County Pool	2,034,148	1,869,521
State Pool	6,872	6,456
Gross Receipts	\$15,094,687	\$13,649,334
Measure T	\$8,966	\$13,283,836

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

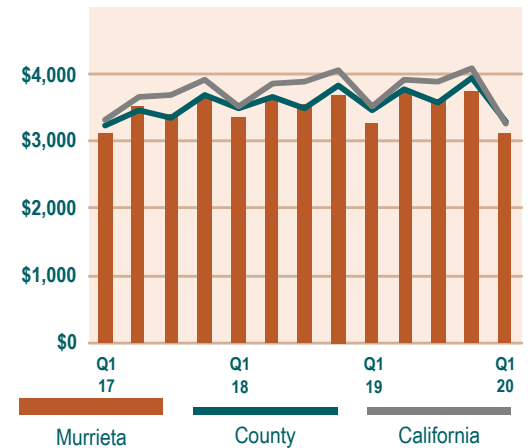
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

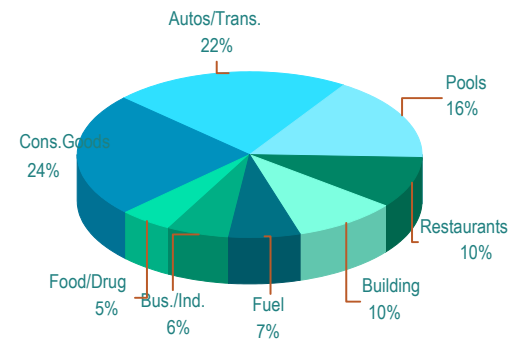
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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 Q1 '20*	Change	County Change	HdL State Change
Boats/Motorcycles	— CONFIDENTIAL —		5.3%	-5.3%
Building Materials	273.0	5.9%	5.8%	3.0%
Casual Dining	147.9	-19.1%	-17.1%	-18.8%
Contractors	91.4	2.4%	12.6%	3.2%
Discount Dept Stores	— CONFIDENTIAL —		4.7%	3.2%
Electronics/Appliance Stores	92.1	-18.1%	-17.3%	-18.0%
Family Apparel	73.1	-17.5%	-20.8%	-21.1%
Grocery Stores	145.9	8.9%	11.7%	11.8%
Home Furnishings	159.8	-4.6%	-9.3%	-12.9%
Medical/Biotech	92.2	158.7%	-3.3%	-1.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-6.6%	-10.6%
Quick-Service Restaurants	217.9	-5.8%	-5.0%	-8.5%
Service Stations	287.4	-8.0%	-3.9%	-9.5%
Trailers/RVs	— CONFIDENTIAL —		5.6%	-5.9%
Used Automotive Dealers	404.3	-10.6%	-10.3%	-12.7%
Total All Accounts	3,605.2	-3.5%	-4.3%	-7.3%
County & State Pool Allocation	699.2	28.0%	27.8%	22.4%
Gross Receipts	4,304.5	0.5%	-0.3%	-3.0%

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