

# Q3 2016



# City of Menifee Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

## Menifee In Brief

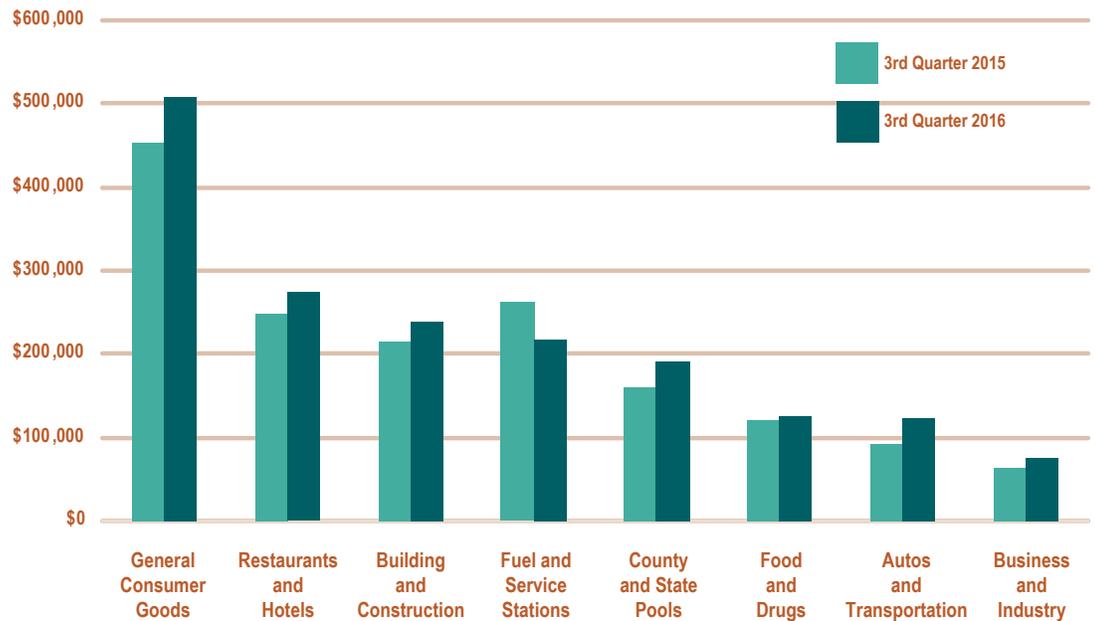
Gross receipts for Menifee's July through September sales were 8.7% higher than the same quarter one year ago.

Recent additions contributed to gains from restaurants, the food and drugs group, multiple categories of consumer goods and some classifications within the autos and transportation group. Strong sales of contractor's supplies buoyed building and construction group results. Receipt of funds due from a prior quarter inflated proceeds from the business and industry group. The larger allocation from the county use tax pool was also a factor for the overall increase.

Lower fuel prices cut service station receipts while a year-ago adjustment depressed casual dining comparisons.

Adjusted for anomalies, taxable sales for all of Riverside County increased 4.4% over the same period; Southern California regional totals were up 1.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM (3)	Richardsons Auto & RV Sales
Best Buy	Ross
Chevron (2)	Stater Bros
Circle K	Target
Euramax International	Tesoro Refining & Marketing
Grove Lumber & Building Supplies	Texas Roadhouse
Imperial Sprinkler Supply	TJ Maxx
Kohls	United Oil
Living Spaces	Verizon Wireless
Lowe's	Walgreens
Menifee Car Wash	
Ralphs	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,934,677	\$3,190,264
County Pool	326,567	386,727
State Pool	1,495	1,087
<b>Gross Receipts</b>	<b>\$3,262,739</b>	<b>\$3,578,079</b>
Less Triple Flip*	\$(815,685)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

**The Year Ahead**

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

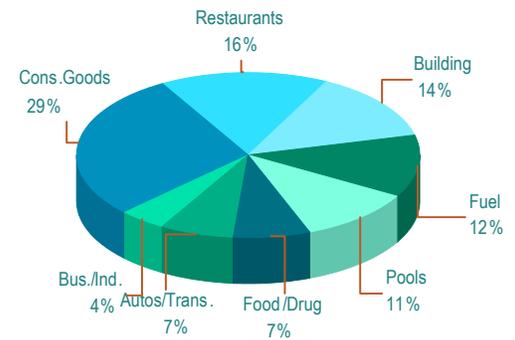
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Menifee This Quarter



**MENIFEE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Menifee Q3 '16*	Menifee Change	County Change	HdL State Change
Automotive Supply Stores	34.0	56.0%	7.3%	3.8%
Casual Dining	107.2	-0.3%	11.1%	4.5%
Contractors	72.1	39.1%	13.7%	1.4%
Department Stores	— CONFIDENTIAL —	—	2.4%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.7%	-0.4%
Electronics/Appliance Stores	87.3	4.0%	1.5%	-1.5%
Family Apparel	66.5	10.4%	4.7%	5.8%
Grocery Stores	— CONFIDENTIAL —	—	-4.7%	-2.2%
Home Furnishings	— CONFIDENTIAL —	—	0.4%	-0.2%
Lumber/Building Materials	— CONFIDENTIAL —	—	13.5%	6.9%
Quick-Service Restaurants	134.7	22.0%	12.7%	8.9%
Repair Shop/Equip. Rentals	32.3	3.8%	5.3%	8.9%
Service Stations	215.6	-17.7%	-15.1%	-13.8%
Specialty Stores	45.5	14.8%	-0.6%	2.0%
Trailers/RVs	— CONFIDENTIAL —	—	21.0%	11.8%
<b>Total All Accounts</b>	<b>1,562.2</b>	<b>7.4%</b>	<b>4.1%</b>	<b>0.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>192.4</b>	<b>20.6%</b>	<b>17.0%</b>	<b>11.5%</b>
<b>Gross Receipts</b>	<b>1,754.6</b>	<b>8.7%</b>	<b>5.4%</b>	<b>2.2%</b>