

# Q4 2014



# City of Menifee Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2014)*

## Menifee In Brief

Receipts for Menifee's October through December sales were 3.0% lower than the same quarter one year ago due mainly to large reporting aberrations in building and construction, service stations and the countywide use tax pool. Significantly lower gasoline prices also contributed to the overall decline in receipts. Excluding aberrations, sales activity was up 9.0%.

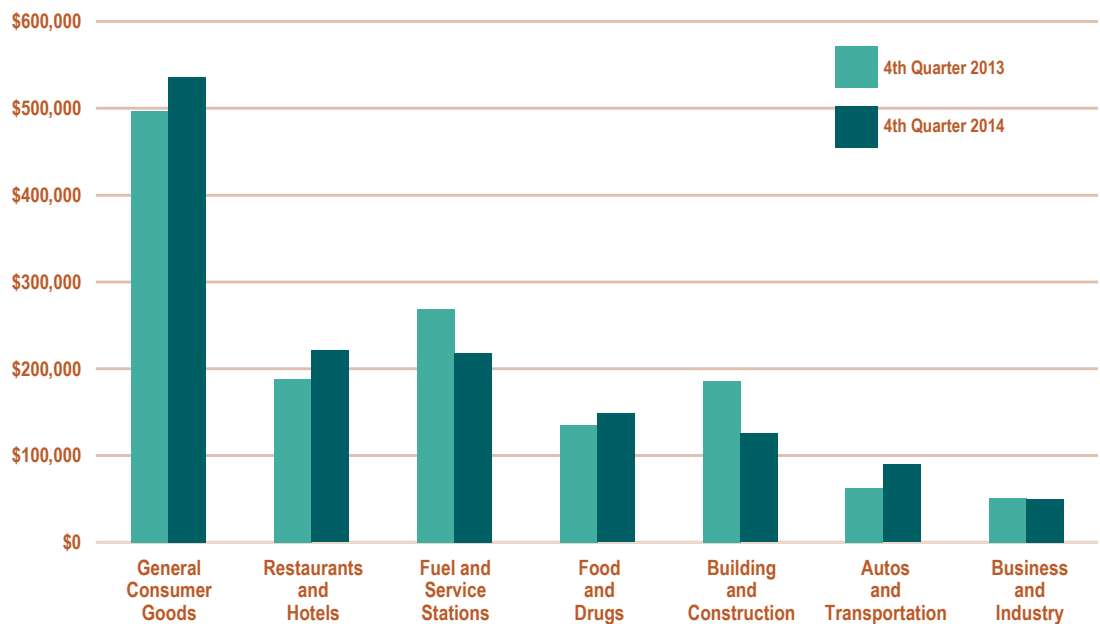
Increased receipts from multiple categories in general consumer goods and autos and transportation helped offset some of the losses. Multiple newly opened quick-service and casual dining eateries boosted the restaurants and hotels group.

Higher sales from grocery stores and new outlets and payment aberrations in liquor stores lifted food and drugs. Net of aberrations, building and construction also posted an increase.

The onetime takeaway from the countywide use tax pool lowered the city's allocation 29.2% from the prior year.

Adjusted for aberrations, taxable sales for all of Riverside County increased 5.3% over the comparable time period, while the Southern California region as a whole was up 4.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Richardsons Auto & RV Sales
Arco AM PM	Rite Aid
Best Buy	Ross
Chevron	Stater Bros
Circle K	Sun City Chevron
Euramax International	Target
Exxon	Tesoro Refining & Marketing
Kohls	Texas Roadhouse
Living Spaces	TJ Maxx
Lowe's	United Oil
Menifee Car Wash	Verizon Wireless
Michaels Arts & Crafts	Walgreens
Ralphs	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$3,697,686	\$4,012,178
County Pool	399,508	407,599
State Pool	2,191	3,342
<b>Gross Receipts</b>	<b>\$4,099,385</b>	<b>\$4,423,119</b>
Less Triple Flip*	\$(1,024,846)	\$(1,105,780)

\*Reimbursed from county compensation fund

**Holiday Quarter Up**

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

**Gasoline Supply and Demand**

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

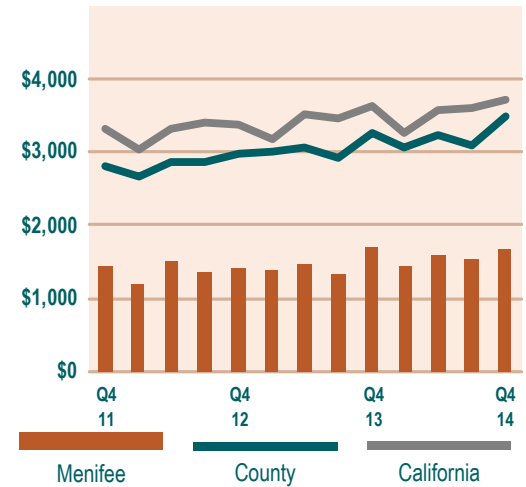
**Triple Flip Unwind**

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

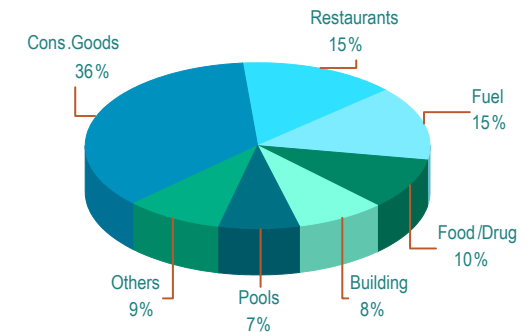
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Menifee This Quarter



**MENIFEE TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	Menifee Q4 '14*	Menifee Change	County Change	HdL State Change
Casual Dining	91.1	13.8%	11.2%	5.9%
Contractors	35.7	11.1%	6.4%	9.0%
Department Stores	— CONFIDENTIAL —	—	5.3%	1.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.5%	0.9%
Drug Stores	— CONFIDENTIAL —	—	-3.3%	-2.3%
Electronics/Appliance Stores	100.8	5.2%	-0.3%	1.3%
Family Apparel	66.8	-10.1%	16.2%	5.1%
Grocery Stores Liquor	83.5	7.8%	1.2%	3.5%
Home Furnishings	— CONFIDENTIAL —	—	7.2%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	-6.0%	-0.7%
Quick-Service Restaurants	105.6	17.9%	11.0%	7.5%
Repair Shop/Equip. Rentals	26.8	-0.2%	18.8%	-4.1%
Service Stations	217.4	-18.6%	-13.3%	-10.5%
Specialty Stores	39.8	42.9%	9.0%	5.8%
Trailers/RVs	— CONFIDENTIAL —	—	12.0%	1.7%
<b>Total All Accounts</b>	<b>\$1,387.3</b>	<b>-0.1%</b>	<b>7.9%</b>	<b>3.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$111.0</b>	<b>-28.7%</b>	<b>-23.0%</b>	<b>4.7%</b>
<b>Gross Receipts</b>	<b>\$1,498.3</b>	<b>-3.0%</b>	<b>4.8%</b>	<b>3.9%</b>