

# Q1 2017



# City of Menifee Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

## Menifee In Brief

Menifee's receipts from January through March were 13.2% above the first sales period in 2016. Excluding reporting aberrations, actual sales were up 11.1%.

A new outlet and higher fuel prices were responsible for the boost in revenue from service stations. Several new restaurants and continued consumer interest in dining out led to strong sales for quick-service restaurants, fast casual and casual dining eateries.

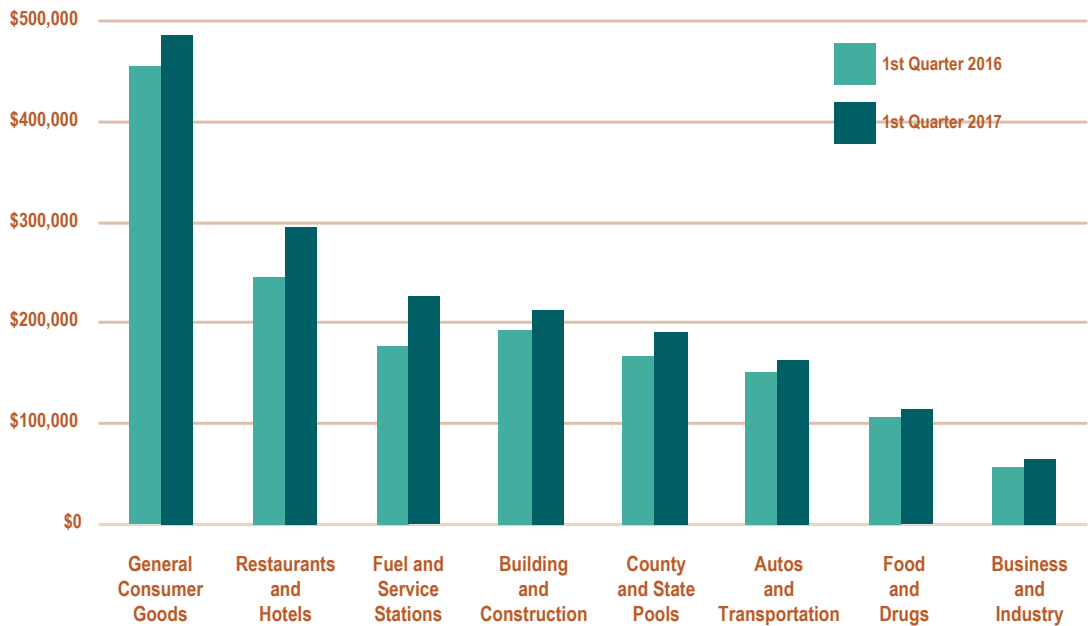
A retail stores were responsible for the growth in home furnishings, women's apparel and electronics/appliances.

An increase in home improvement spending pushed revenue higher for building materials. New additions resulted in higher receipts in the food and drug category.

The City's share of the countywide use tax pool increased 12.7% over the comparison period.

Net of aberrations, taxable sales for all of Riverside County grew 3.3% over the comparable time period; the Southern California region was up 2.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ahern Rentals	Menifee Car Wash
Arco AM PM	Richardsons Auto & RV Sales
Best Buy	Rite Aid
BJs Restaurant & Brewhouse	Ross
Chevron	Stater Bros
Circle K	Target
Euramax International	Tesoro Refining & Marketing
Grove Lumber & Building Supplies	Texas Roadhouse
Home Goods	TJ Maxx
Jack in the Box	United Oil
Kohls	Verizon Wireless
Living Spaces	Walgreens
Lowes	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$5,926,943	\$6,467,447
County Pool	692,589	805,007
State Pool	4,208	4,997
<b>Gross Receipts</b>	<b>\$6,623,739</b>	<b>\$7,277,451</b>
Less Triple Flip*	\$(1,267,944)	\$0

**Statewide Results**

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

**New Sales Tax Organization**

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

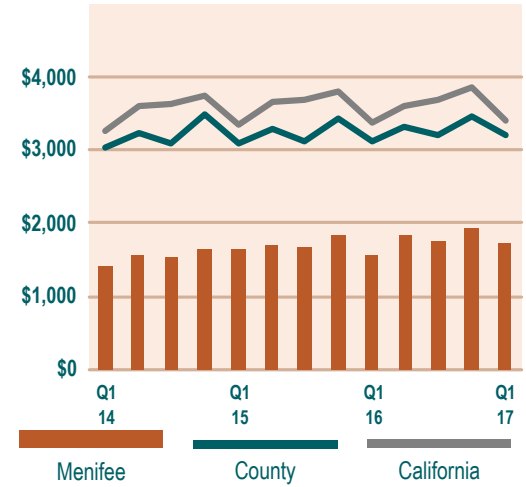
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

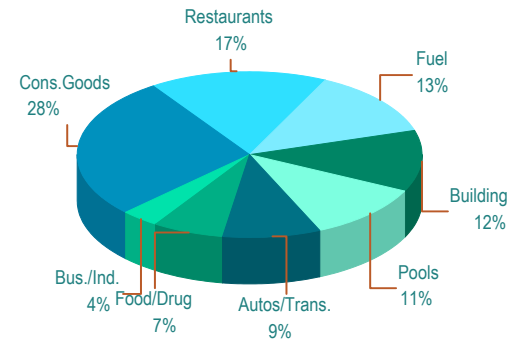
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Menifee This Quarter



**MENIFEE TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Menifee Q1 '17*	Menifee Change	County Change	HdL State Change
Automotive Supply Stores	39.9	6.0%	4.3%	0.0%
Building Materials	167.6	5.4%	-7.3%	3.1%
Casual Dining	115.3	10.4%	7.0%	0.5%
Contractors	— CONFIDENTIAL —	—	8.6%	-4.1%
Discount Dept Stores	— CONFIDENTIAL —	—	1.2%	1.6%
Drug Stores	42.0	13.0%	-1.8%	-2.5%
Electronics/Appliance Stores	90.1	8.4%	-0.6%	-0.3%
Family Apparel	57.2	-3.5%	-0.6%	0.8%
Fast-Casual Restaurants	44.0	82.2%	14.4%	9.2%
Grocery Stores	— CONFIDENTIAL —	—	0.8%	0.5%
Home Furnishings	— CONFIDENTIAL —	—	0.5%	-1.9%
Quick-Service Restaurants	130.4	16.4%	4.5%	4.6%
Service Stations	226.4	27.5%	12.8%	10.0%
Specialty Stores	48.7	9.8%	-7.2%	0.3%
Trailers/RVs	— CONFIDENTIAL —	—	13.3%	11.0%
<b>Total All Accounts</b>	<b>1,565.8</b>	<b>13.0%</b>	<b>3.9%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>191.3</b>	<b>14.6%</b>	<b>5.3%</b>	<b>2.9%</b>
<b>Gross Receipts</b>	<b>1,757.1</b>	<b>13.2%</b>	<b>4.1%</b>	<b>1.9%</b>