

# Q3 2017



# City of Menifee Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

## Menifee In Brief

Menifee's receipts from July through September were 7.5% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 6.1%.

The return of higher gas prices, consistent with the statewide trend, resulted in an increase in receipts from fuel-service stations. A stable housing market and steady summer sales pushed lumber-building materials growth higher than the state and county trends.

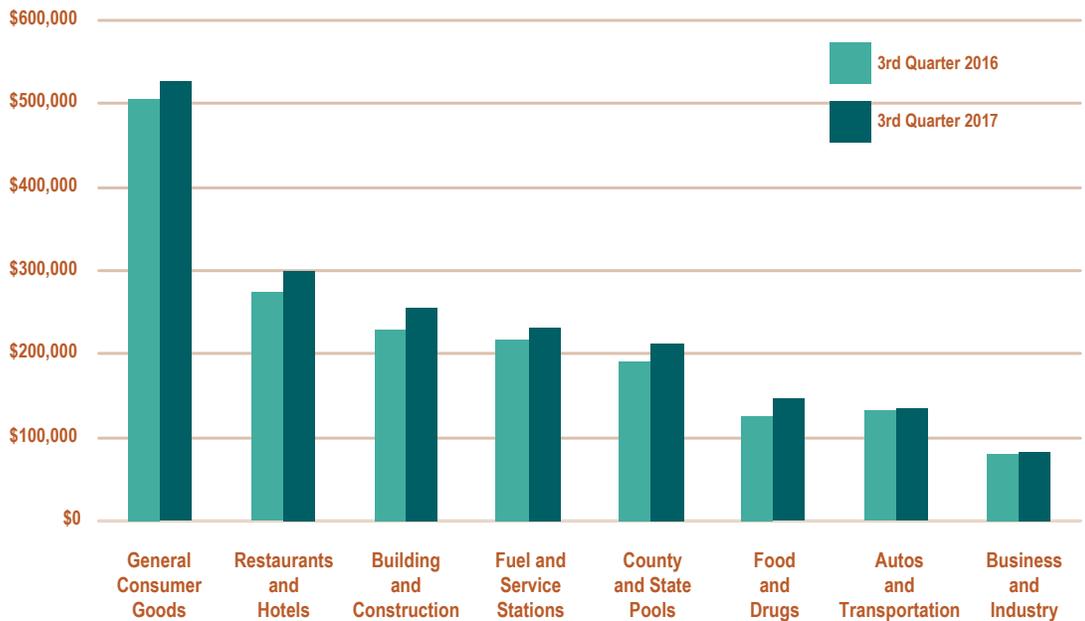
Greater variety and creative new concepts drove consumer interest in eating out and had a positive impact on fast casual and quick-service restaurants. New retail store openings helped to boost revenue from specialty stores, while electronics/appliance stores had a strong sales quarter.

A business closure had a negative impact on contractors; at the same time autos and transportation remained flat.

The City's new Measure DD resulted in an additional \$2,342,197 in revenue. The City's share of the countywide use tax pool increased 0.9% over the comparison quarter.

Net of aberrations, taxable sales for all of Riverside County grew 5.1% over the comparable time period; the Southern California region was up 3.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ahern Rentals	Richardsons Auto & RV Sales
Arco AM PM	Rite Aid
Best Buy	Ross
BJs Restaurant	Stater Bros
Chevron	Target
Circle K	Tesoro Refining
Euramax Int'l	Texas Roadhouse
Grove Lumber	TJ Maxx
Home Goods	United Oil
Kohls	Verizon Wireless
Living Spaces	Walgreens
Lowes	
Menifee Car Wash	
Ralphs	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$3,190,264	\$3,406,269
County Pool	386,727	379,772
State Pool	1,087	421
<b>Gross Receipts</b>	<b>\$3,578,079</b>	<b>\$3,786,461</b>
Measure DD	\$0	\$4,334,598

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

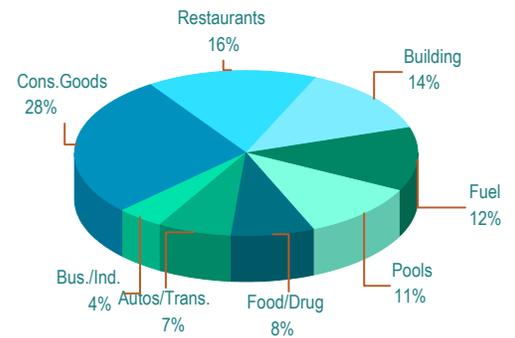
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Menifee This Quarter



**MENIFEE TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Menifee		County	HdL State
	Q3 '17*	Change	Change	Change
Building Materials	183.0	12.0%	4.8%	5.6%
Casual Dining	105.9	-1.2%	5.1%	2.2%
Contractors	58.3	-6.2%	5.5%	6.3%
Department Stores	— CONFIDENTIAL —	—	-5.7%	-7.5%
Discount Dept Stores	— CONFIDENTIAL —	—	4.5%	6.1%
Drug Stores	39.0	27.1%	12.3%	7.3%
Electronics/Appliance Stores	96.1	10.0%	-2.9%	0.3%
Family Apparel	67.9	2.1%	0.0%	1.7%
Fast-Casual Restaurants	38.9	37.9%	8.5%	8.5%
Grocery Stores	81.2	18.0%	1.6%	0.6%
Home Furnishings	85.6	-2.0%	-3.5%	0.6%
Quick-Service Restaurants	149.1	13.3%	5.3%	4.8%
Service Stations	229.8	6.6%	8.7%	9.2%
Specialty Stores	53.6	17.2%	-0.6%	2.3%
Trailers/RVs	— CONFIDENTIAL —	—	2.1%	5.5%
<b>Total All Accounts</b>	<b>1,673.7</b>	<b>7.1%</b>	<b>6.0%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>211.6</b>	<b>10.0%</b>	<b>8.8%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>1,885.4</b>	<b>7.5%</b>	<b>6.3%</b>	<b>4.2%</b>