

Q2 2019



City of Menifee Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Menifee In Brief

Menifee's receipts from April through June were 15.4% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Excluding anomalies, actual sales were up 3.1%.

Recently opened quick-service and fast-casual eateries boosted restaurant sales 11.3%. Service station sales were also strong, up 6.3%, besting regional and state-wide trends. An 18.8% increase in garden/agricultural supply sales lifted business and industry, while solid results from building materials offset losses in other segments and pushed building and construction up 2.3%.

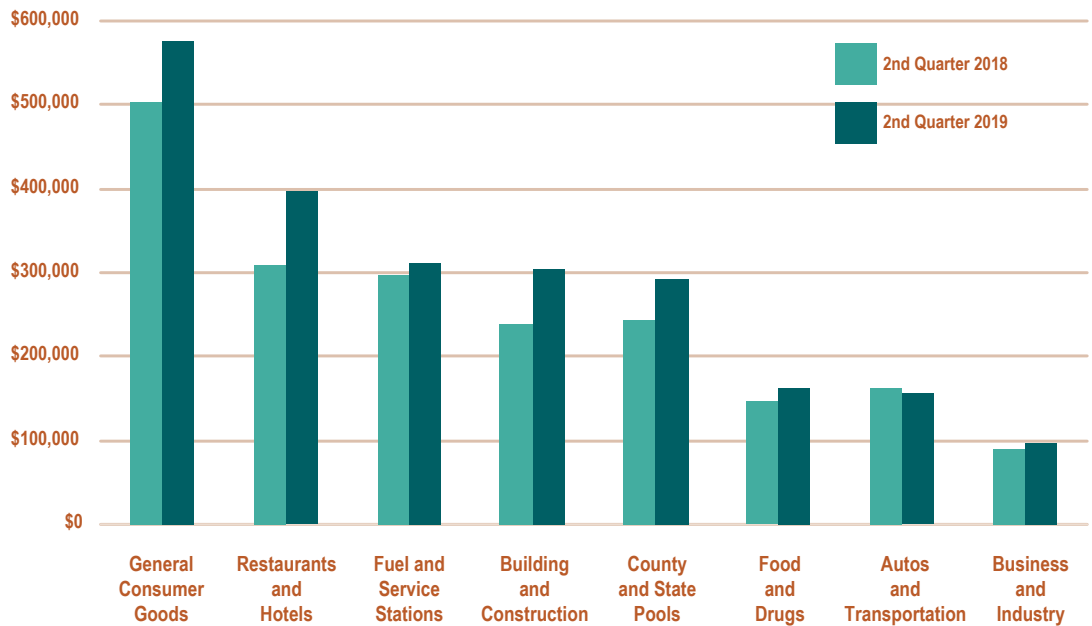
The City's cash receipts from the countywide use tax pool increased 21.1%.

The gains were partially offset by a 3.1% drop in the automotive sector and mixed results from various categories that produced a 0.2% dip in general retail sales.

Cash receipts for Measure DD were 24% higher. Adjusting for anomalies, sales were up 12.4%.

Net of aberrations, taxable receipts for all of Riverside County grew 3.6% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Menifee Lakes Plaza
Best Buy	Chevron
BJ's Restaurant & Brewhouse	Pacific Mobile Structures
Chevron / Circle K	Ralphs
Circle K	Red Robin
Euramax Int'l	Richardsons Auto & RV Sales
Grove Lumber	Ross
Home Goods	Shell
Imperial Sprinkler Supply	Stater Bros
Jack in the Box	Target
Kohls	Texas Roadhouse
Living Spaces	TJ Maxx
Lowe's	Verizon Wireless

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$6,952,893	\$7,849,737
County Pool	904,035	1,203,299
State Pool	3,912	3,937
Gross Receipts	\$7,860,841	\$9,056,974
Measure DD	\$9,394,148	\$11,484,760

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter in 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value-priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

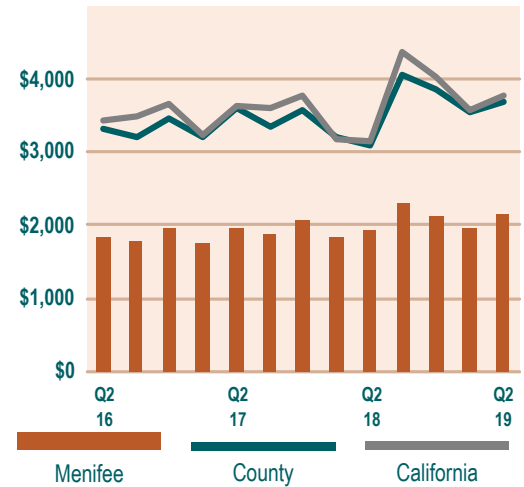
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

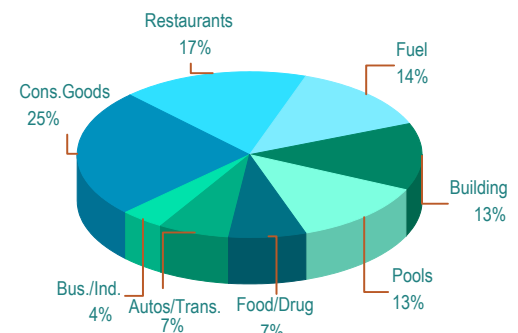
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

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
	Q2 '19*	Change	Change	Change
Automotive Supply Stores	41.4	41.9%	18.5%	16.4%
Building Materials	234.0	6.0%	35.5%	34.1%
Casual Dining	140.7	12.0%	29.2%	24.5%
Contractors	— CONFIDENTIAL —		31.4%	26.8%
Discount Dept Stores	— CONFIDENTIAL —		36.4%	26.3%
Drug Stores	46.8	4.6%	-2.0%	-0.3%
Electronics/Appliance Stores	116.4	13.4%	11.8%	7.0%
Family Apparel	75.4	100.0%	41.3%	45.3%
Fast-Casual Restaurants	50.1	46.4%	19.8%	18.7%
Grocery Stores	103.8	22.4%	7.2%	9.6%
Home Furnishings	83.4	-5.4%	11.8%	15.6%
Quick-Service Restaurants	197.8	38.1%	18.4%	15.8%
Service Stations	311.9	4.9%	35.6%	51.4%
Specialty Stores	46.7	-32.7%	-14.3%	-8.0%
Trailers/RVs	— CONFIDENTIAL —		9.9%	7.0%
Total All Accounts	2,007.3	14.6%	21.4%	20.1%
County & State Pool Allocation	294.0	21.2%	28.4%	22.4%
Gross Receipts	2,301.3	15.4%	22.3%	20.4%