

Q2 2018



City of Eastvale Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Eastvale In Brief

Eastvale's receipts from April through June were 22.0% below the second sales period in 2017, due mainly to a large double payment that inflated prior year results in business-industry and ongoing problems related to the State's transition to a new software and reporting system that for the second consecutive quarter caused multiple transactions to not get posted. Including these and other reporting aberrations, actual sales were down 0.9%.

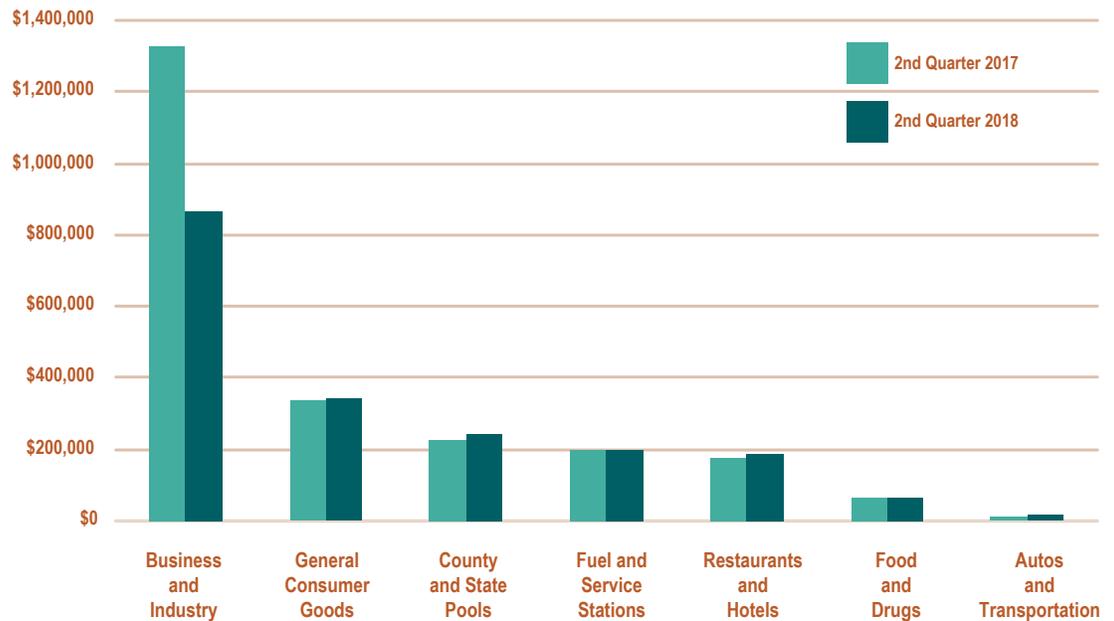
General consumer goods and the fuel group were impacted by missing payments. General retail sales were up 2.8%, while fuel sales were up 26.8% due to the addition of a new service station and higher retail gas prices.

The City's allocation from the countywide use tax pool increased 6.2% due to strong performance in the pool.

A new outlet helped boost the automotive sector. Restaurant sales were up 2.9%, while food-drugs were 4.4% higher.

Net of aberrations, taxable sales for all of Riverside County grew 3.0% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Shamrock Foods Company
Applebee's	Staples
Best Buy	T Mobile
Buffalo Wild Wings	Target
Chevron	TJ Maxx
Home Depot	Ulta Beauty
Home Goods	Verizon Wireless
Jack in the Box	Vons
Kohls	Vons Fuel
Lennox Industries	W W Grainger
McDonalds	Walmart Online
Netrush	
Petsmart	
Ralphs	

REVENUE COMPARISON

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

	2016-17	2017-18
Point-of-Sale	\$7,378,361	\$7,395,801
County Pool	866,113	959,871
State Pool	3,537	4,164
Gross Receipts	\$8,248,011	\$8,359,837

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

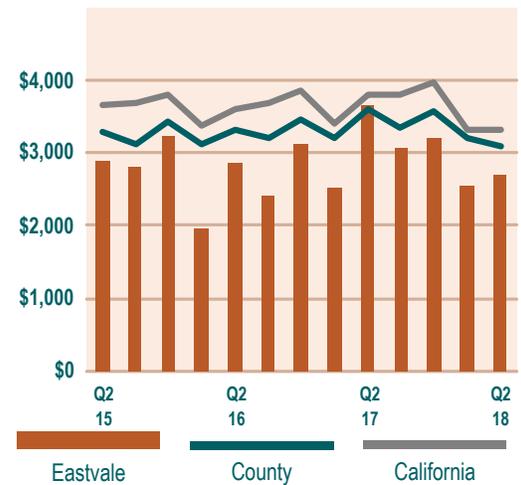
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



**COUNTY OVERALL
2Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-5.0%	1.6%
Building and Construction	-15.2%	6.4%
Business and Industry	-34.8%	-3.2%
Food and Drugs	1.3%	5.5%
Fuel and Service Stations	-10.8%	11.6%
General Consumer Goods	-10.8%	0.7%
Restaurants and Hotels	-8.3%	0.7%
County and State Pools	23.4%	7.6%
Total	-10.1%	3.0%

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Eastvale This Quarter**

