

Q1 2017



City of Eastvale Sales Tax *Update*

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

Eastvale In Brief

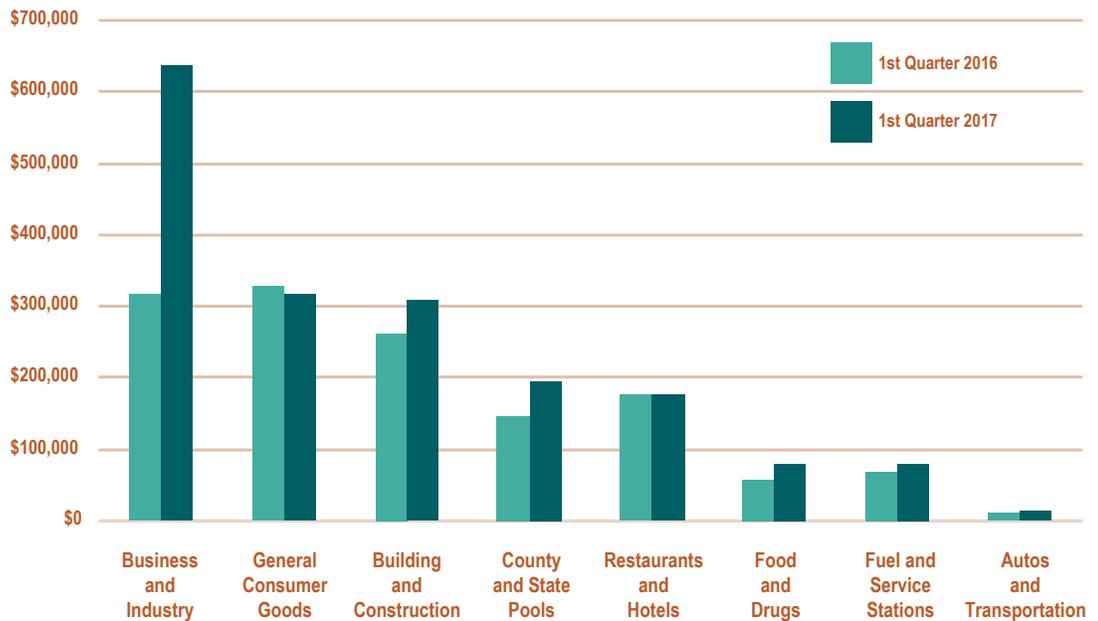
Eastvale's receipts from January through March were 32.2% above the first sales period in 2016. Excluding reporting aberrations, actual sales were up 25.0%.

Stellar business-industrial sales were the primary factor in the overall advance. The growth in this category also propelled a 34% increase in allocations from the countywide use tax pool as these funds are distributed proportionately based on store cash returns within the region. Eastvale benefited from this with a faster rate of growth than anywhere else in the county this quarter.

A large equipment purchase made by a business to outfit its local facility also benefited building-construction sales.

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

7 Eleven	S G Herrick Corporation
Albertsons	Shamrock Foods
Applebee's	Snapware
Best Buy	Staples
Buffalo Wild Wings	Target
Chevron	TJ Maxx
Dell Marketing	Ulta Beauty
Home Depot	Verizon Wireless
Home Goods	Vons
Kohls	W W Grainger
Lennox Industries	Walmart Online
McDonalds	
Netrush Com	
Petsmart	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$6,578,822	\$6,824,706
County Pool	767,575	850,831
State Pool	5,307	5,320
Gross Receipts	\$7,351,704	\$7,680,857
Less Triple Flip*	\$(1,495,779)	\$0

*Reimbursed from county compensation fund

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.

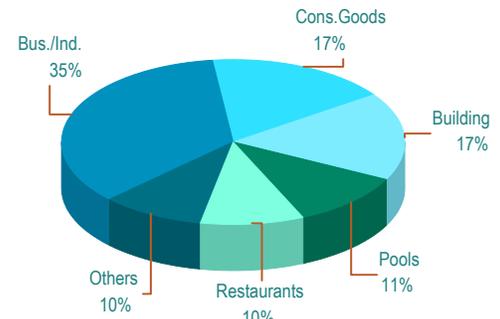
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (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
Eastvale This Quarter



EASTVALE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Eastvale Q1 '17*	Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	-7.3%	3.1%
Casual Dining	54.5	-16.8%	7.0%	0.5%
Contractors	— CONFIDENTIAL —	—	8.6%	-3.9%
Convenience Stores/Liquor	32.7	166.5%	13.3%	3.7%
Discount Dept Stores	— CONFIDENTIAL —	—	1.2%	1.6%
Electrical Equipment	— CONFIDENTIAL —	—	32.2%	-7.6%
Electronics/Appliance Stores	85.3	-0.8%	-0.6%	-0.3%
Family Apparel	33.2	-3.1%	-0.6%	0.8%
Fast-Casual Restaurants	51.4	11.1%	14.6%	9.2%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	-3.0%	11.6%
Fulfillment Centers	— CONFIDENTIAL —	—	20.2%	1.7%
Grocery Stores	— CONFIDENTIAL —	—	0.8%	0.5%
Quick-Service Restaurants	68.6	5.0%	4.5%	4.6%
Service Stations	79.8	15.0%	12.8%	10.0%
Specialty Stores	36.1	1.1%	-7.2%	0.1%
Total All Accounts	1,612.8	32.0%	3.9%	1.8%
County & State Pool Allocation	197.0	33.9%	5.3%	2.9%
Gross Receipts	1,809.8	32.2%	4.1%	1.9%