

# Q3 2017



# City of Eastvale Sales Tax *Update*

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

## Eastvale In Brief

Eastvale's receipts from July through September were 30.6% above the third sales period in 2016. A large misallocated payment that depressed prior year business to business results was the major factor in the gain in receipts. Excluding this and other reporting aberrations, actual sales were up 0.8%.

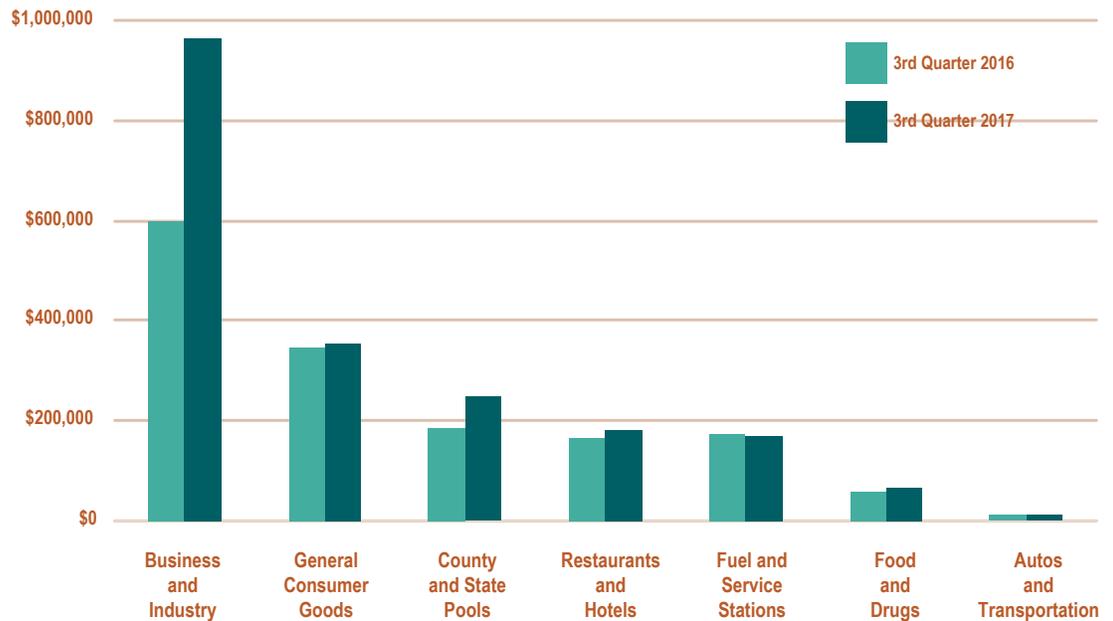
The large gain in receipts also produced a 33.2% increase in the City's allocation from the countywide use tax pool over the comparative quarter.

Business and industry net sales were down for the quarter as the major industrial outlets produced mixed results and onetime equipment purchases related to construction projects were lower.

Payment anomalies boosted both general consumer goods and the restaurant group. Actual retail sales were down 4%, while restaurant sales were up a moderate 3.1% and continue to be plagued by reporting problems in casual dining. Service station sales were down 1.9%, running counter to regional and state-wide trends which experienced strong growth.

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

7 Eleven	S G Herrick Corporation
Albertsons	Shamrock Foods Company
American Electric Supply	Snapware
AT&T	Staples
Best Buy	Target
Buffalo Wild Wings	TJ Maxx
Chevron	Ulta Beauty
Dematic	Verizon Wireless
Home Depot	Vons
Home Goods	Vons Fuel
Kohls	W W Grainger
Lennox Industries	Walmart Online
Ralphs	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$3,274,775	\$4,280,864
County Pool	396,644	473,044
State Pool	1,116	334
<b>Gross Receipts</b>	<b>\$3,672,535</b>	<b>\$4,754,242</b>

**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 3.6% 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.

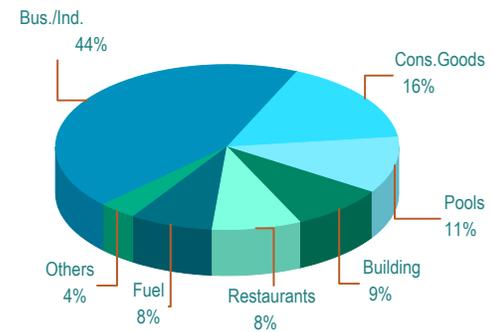
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five 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**  
Eastvale This Quarter



**EASTVALE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Eastvale Q3 '17*	Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	4.8%	5.6%
Business Services	— CONFIDENTIAL —	—	na	114.8%
Casual Dining	52.2	18.8%	5.1%	2.4%
Discount Dept Stores	— CONFIDENTIAL —	—	4.5%	6.1%
Electrical Equipment	— CONFIDENTIAL —	—	142.4%	-6.6%
Electronics/Appliance Stores	113.8	28.6%	-2.0%	0.4%
Family Apparel	36.7	-6.3%	0.0%	1.6%
Fast-Casual Restaurants	53.0	4.4%	9.1%	8.8%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	4.6%	10.6%
Fulfillment Centers	— CONFIDENTIAL —	—	434.1%	43.2%
Grocery Stores	— CONFIDENTIAL —	—	1.6%	0.6%
Office Equipment	— CONFIDENTIAL —	—	-9.5%	-2.7%
Quick-Service Restaurants	73.3	9.7%	5.2%	4.8%
Service Stations	171.2	-1.9%	8.7%	9.2%
Specialty Stores	35.4	-0.6%	-0.7%	2.2%
<b>Total All Accounts</b>	<b>1,951.4</b>	<b>30.2%</b>	<b>6.0%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>246.7</b>	<b>33.6%</b>	<b>8.8%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>2,198.1</b>	<b>30.6%</b>	<b>6.3%</b>	<b>4.2%</b>