

Q2 2016



City of Eastvale Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Eastvale In Brief

Eastvale's receipts from April through June were 3.3% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 6.8%, significantly outperforming the regional and state trend.

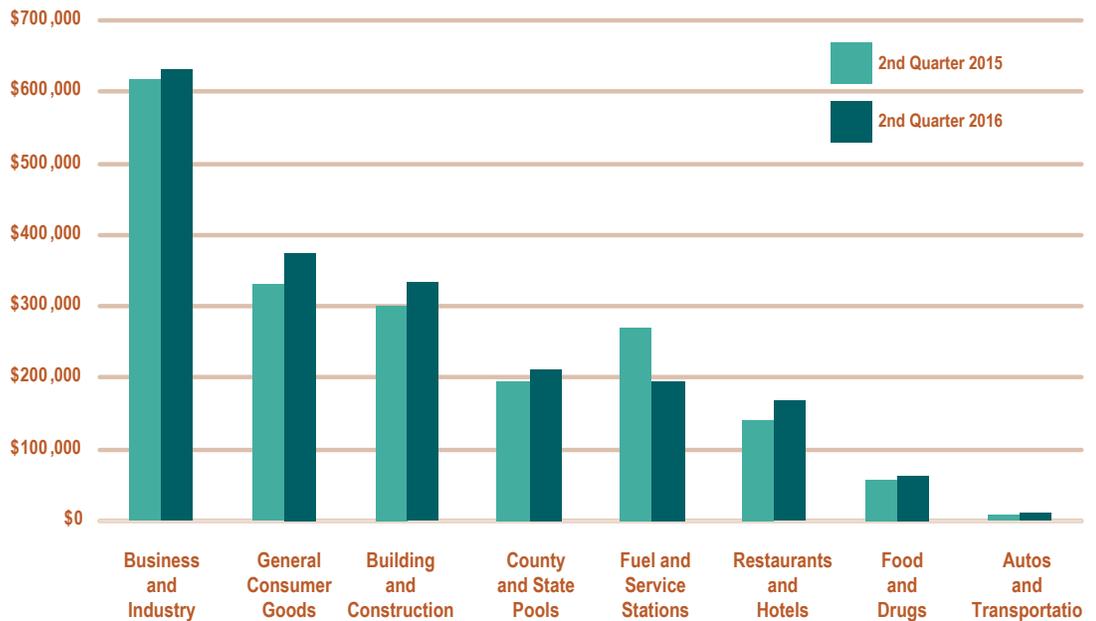
Every major category was higher except for fuel-service stations, which was dragged down by the decline in the price of gasoline. This loss was magnified by additional allocations received in the prior comparison year in correction of earlier payment errors and would have otherwise fallen only 9% compared to the statewide loss of 16%.

Fast casual restaurant sales were aided by the opening of several creative new dining concepts. Electronics/appliance stores were higher, though this increase was inflated by payment aberrations.

The sale of building construction supplies was lifted by the robust regional housing and commercial real estate markets.

Net of aberrations, taxable sales for all of Riverside County grew 3.1% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Sport Chalet
Albertsons	T Mobile
Amazon Robotics	Target
Best Buy	TJ Maxx
Buffalo Wild Wings	Ulta
Chevron	Verizon
Fifth Third Leasing	Vons
Home Depot	Vons Fuel
Home Goods	W W Grainger
Kohls	Walmart Online
Lennox Industries	Westech Engineering
Petsmart	
Ralphs	
Shamrock Foods	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,728,463	\$1,775,819
County Pool	195,478	212,538
State Pool	1,433	606
Gross Receipts	\$1,925,374	\$1,988,964
Less Triple Flip*	\$(481,344)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

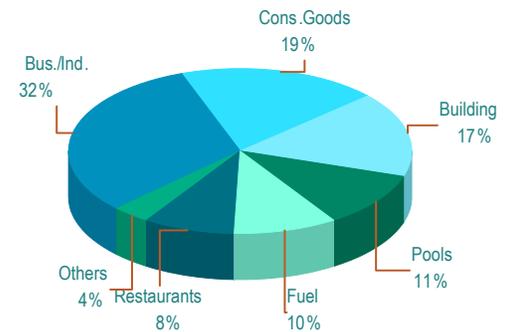
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Eastvale This Quarter



EASTVALE TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Eastvale Q2 '16*	Change	County Change	HdL State Change
Casual Dining	49.4	20.4%	5.6%	4.5%
Contractors	— CONFIDENTIAL —	—	8.6%	6.4%
Discount Dept Stores	— CONFIDENTIAL —	—	1.2%	0.7%
Electronics/Appliance Stores	109.3	28.5%	32.8%	22.3%
Family Apparel	36.9	14.8%	2.1%	4.3%
Fast-Casual Restaurants	50.6	40.3%	9.2%	4.6%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	16.8%	13.9%
Fulfillment Centers	— CONFIDENTIAL —	—	6.5%	-5.1%
Grocery Stores Liquor	— CONFIDENTIAL —	—	2.9%	1.1%
Heavy Industrial	— CONFIDENTIAL —	—	51.1%	6.9%
Light Industrial/Printers	— CONFIDENTIAL —	—	-20.2%	-0.7%
Lumber/Building Materials	— CONFIDENTIAL —	—	6.7%	3.3%
Quick-Service Restaurants	64.5	5.2%	7.2%	6.6%
Service Stations	196.3	-27.3%	-18.1%	-19.2%
Specialty Stores	36.3	6.5%	3.2%	2.1%
Total All Accounts	1,775.8	2.7%	2.4%	-0.6%
County & State Pool Allocation	213.1	8.2%	7.9%	15.2%
Gross Receipts	1,989.0	3.3%	3.0%	1.4%