

Q3 2016



City of Eastvale Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Eastvale In Brief

Eastvale's receipts from July through September were 10.1% below the third sales period in 2015.

Lower fuel prices continue to negatively impact receipts for service stations. A significant misallocation was responsible for the decrease in business and industry. Once this misallocation is corrected, it will reflect an overall point of sale increase of 13.5%.

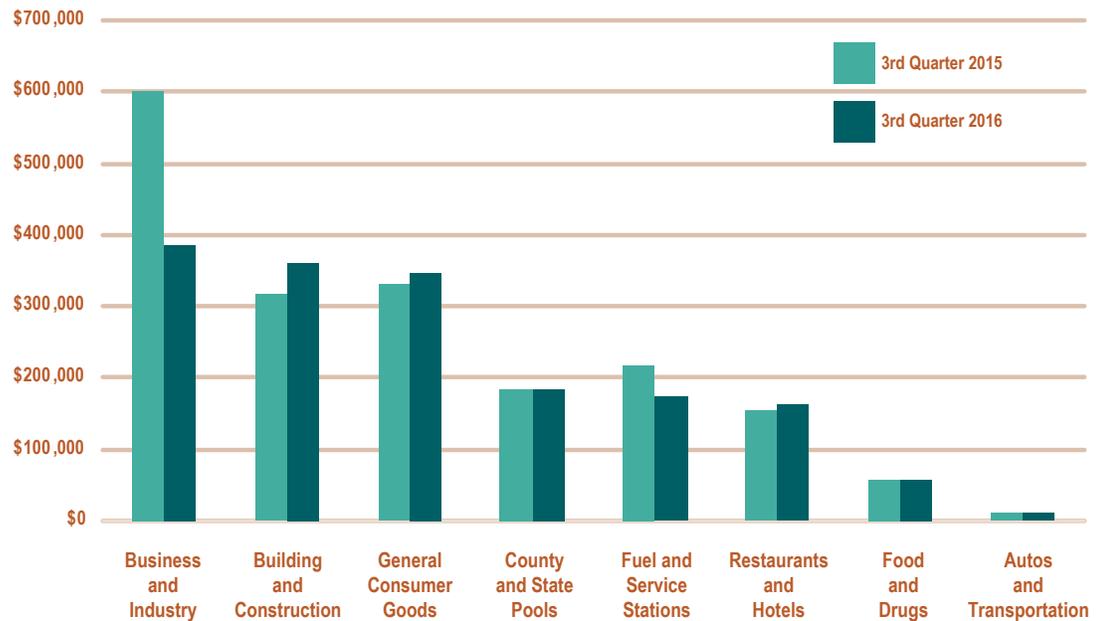
This city experienced a strong sales quarter for general consumer goods, with high sales reported for family apparel, specialty stores and electronics/appliance stores.

New restaurants and continued consumer interest in dining out led to solid restaurant and hotel results.

The city's share of the countywide use tax pool increased 3.6% once anomalies were factored out.

Net of aberrations, taxable sales for all of Riverside County grew 4.4% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Shamrock Foods
Albertsons	Staples
Amazon Robotics	T Mobile
Applebee's	Target
Best Buy	Tilly's
Buffalo Wild Wings	TJ Maxx
Chevron	Ulta
Home Depot	Verizon Wireless
Home Goods	Vons
Kohls	Vons Fuel
Lennox Industries	Walmart Online
McDonalds	
Petsmart	
Ralphs	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,416,142	\$3,274,775
County Pool	380,165	396,644
State Pool	1,744	1,116
Gross Receipts	\$3,798,051	\$3,672,535
Less Triple Flip*	\$(949,513)	\$0

**Reimbursed from county compensation fund*

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

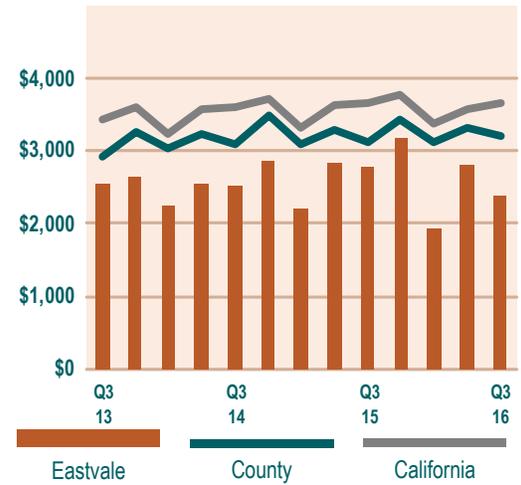
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

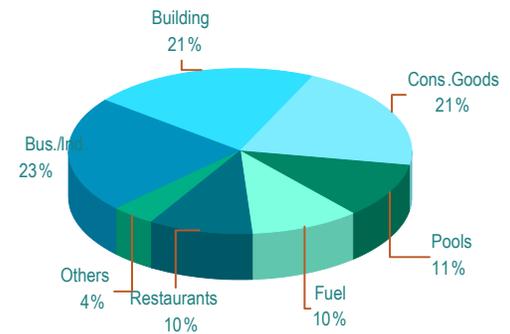
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Eastvale This Quarter



EASTVALE TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Eastvale		County	HdL State
	Q3 '16*	Change	Change	Change
Casual Dining	43.9	-13.3%	10.9%	4.5%
Contractors	— CONFIDENTIAL —	—	13.7%	1.4%
Department Stores	— CONFIDENTIAL —	—	2.4%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.7%	-0.4%
Electronics/Appliance Stores	88.5	4.3%	1.5%	-1.5%
Family Apparel	39.2	10.2%	4.7%	5.9%
Fast-Casual Restaurants	48.2	27.8%	7.6%	4.9%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	5.1%	-0.7%
Fulfillment Centers	— CONFIDENTIAL —	—	11.3%	19.4%
Grocery Stores	— CONFIDENTIAL —	—	-4.7%	-2.1%
Heavy Industrial	— CONFIDENTIAL —	—	46.4%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	13.5%	6.9%
Quick-Service Restaurants	68.5	7.9%	12.7%	8.9%
Service Stations	174.5	-19.9%	-15.1%	-13.8%
Specialty Stores	35.6	11.6%	-0.5%	2.0%
Total All Accounts	1,499.0	-11.2%	4.1%	0.9%
County & State Pool Allocation	184.6	-0.2%	17.0%	11.5%
Gross Receipts	1,683.6	-10.1%	5.4%	2.2%