

Q4 2016



City of Eastvale Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Eastvale In Brief

Eastvale's receipts from October through December were 0.6% above the fourth sales period in 2015. Excluding aberrations, actual sales were down 2.5%.

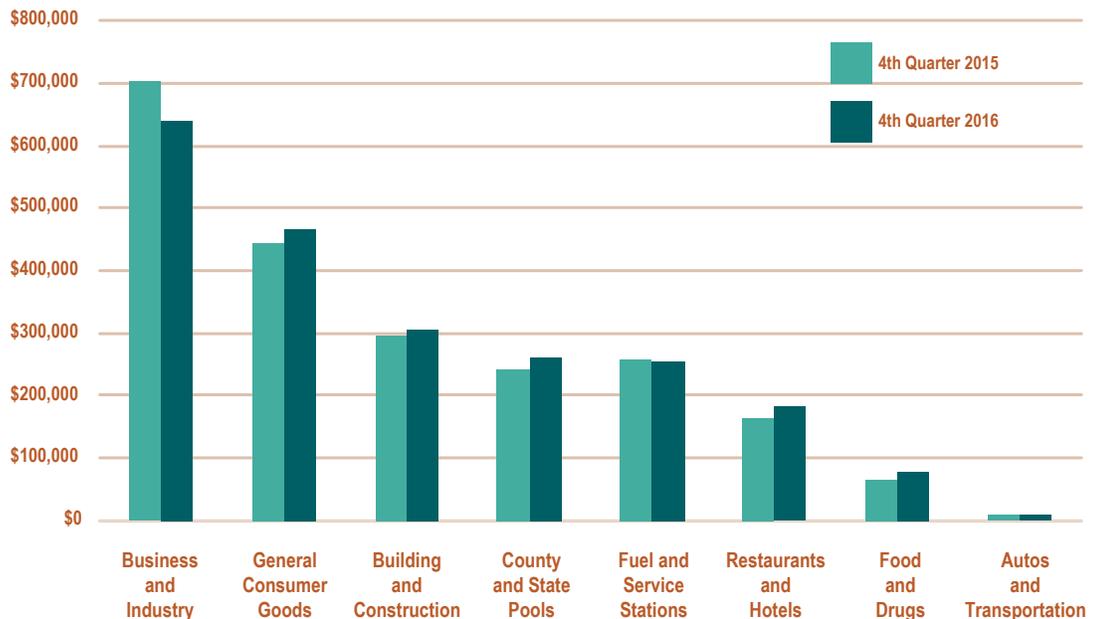
A large drop in sales from an industrial outlet and a onetime use tax payment in the prior year produced a 10.1% decline in sales in business and industry, the City's largest business sector, and were the main cause of the decline in overall sales. Gasoline receipts were down again showing a 6.2% drop, somewhat larger than the 0.5% decline statewide.

Recently opened fast casual eateries and multiple payment aberrations lifted restaurants; quick-service and casual dining sales slowed during the quarter and lagged statewide trends. Similarly, aberrations boosted general consumer goods that are still impacted on a comparison basis by a prior business closeout. Multiple retail categories including specialty stores and family apparel were up.

Despite lower point of sale receipts, the City's allocation from the countywide use tax pool increased 8.3% during the quarter as overall pool growth remained strong.

Net of aberrations, taxable sales for all of Riverside County grew 3.1% over the comparable time period; the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Ralphs
Albertsons	Shamrock Foods
Applebee's	T Mobile
Best Buy	Target
Buffalo Wild Wings	TJ Maxx
Carino's Italian Grill	Ulta Beauty
Chevron	Verizon Wireless
CVS Pharmacy	Vons
Home Depot	Vons Fuel
Home Goods	W W Grainger
Kohls	Walmart Online
Lennox Industries	
McDonalds	
Petsmart	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$5,357,398	\$5,211,926
County Pool	619,635	656,054
State Pool	6,082	3,085
Gross Receipts	\$5,983,115	\$5,871,065
Less Triple Flip*	\$(1,495,779)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

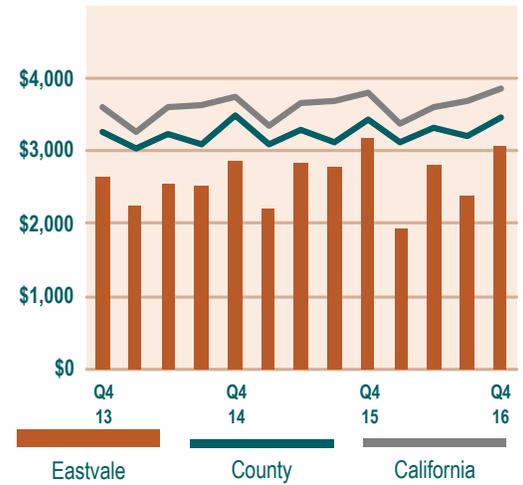
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

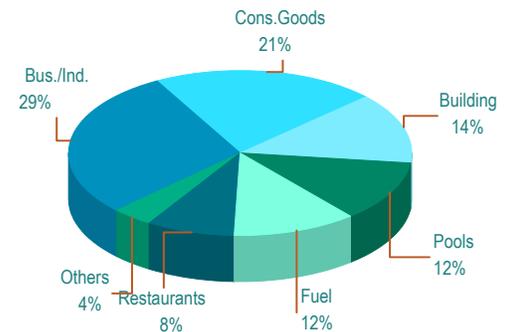
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

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
	Q4 '16*	Change	Change	Change
Building Materials	—	CONFIDENTIAL	0.2%	0.7%
Casual Dining	59.5	15.0%	6.8%	2.7%
Contractors	—	CONFIDENTIAL	3.0%	-0.1%
Department Stores	—	CONFIDENTIAL	-3.4%	-5.6%
Discount Dept Stores	—	CONFIDENTIAL	0.2%	-0.6%
Electronics/Appliance Stores	146.9	17.5%	-0.6%	-1.3%
Family Apparel	45.6	6.9%	5.5%	4.7%
Fast-Casual Restaurants	51.5	22.0%	13.2%	5.3%
Food Service Equip./Supplies	—	CONFIDENTIAL	7.8%	12.8%
Fulfillment Centers	—	CONFIDENTIAL	18.3%	26.3%
Grocery Stores	—	CONFIDENTIAL	9.8%	3.9%
Light Industrial/Printers	—	CONFIDENTIAL	-50.1%	-0.8%
Quick-Service Restaurants	68.5	4.0%	7.4%	5.7%
Service Stations	254.2	-1.8%	-3.5%	-1.0%
Specialty Stores	43.3	6.0%	0.1%	3.7%
Total All Accounts	1,937.2	-0.2%	2.5%	2.4%
County & State Pool Allocation	261.4	7.2%	10.1%	6.9%
Gross Receipts	2,198.5	0.6%	3.3%	3.0%