

Q3 2017



City of Riverside Sales Tax *Update*

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

Riverside In Brief

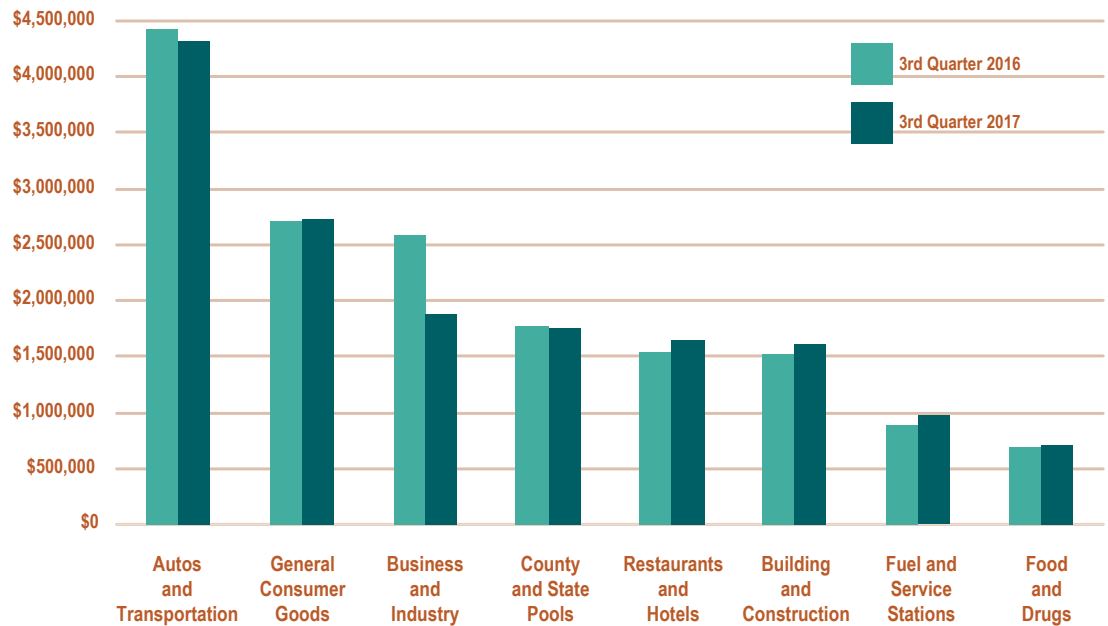
The allocation of sales and use taxes for Riverside's July through September sales was 3.2% less than the same quarter one year ago when a large retroactive adjustment hiked receipts from the business and industry group and the City's share of the countywide use tax pool. Actual sales activity rose 0.3% when this and other accounting anomalies were factored out.

New outlets helped quick-service eateries and specialty stores, although results from the latter were overstated by a year-ago partial payment. Accounting events understated gains from solid sales in multiple classifications within the building and construction sector. Payment aberrations inflated results from service stations, casual dining and the food-drugs group.

Automotive group declines were exaggerated by accounting events that depressed comparisons for both used car and auto leasing accounts. Business and industry group sales declined 6.5% net of the previously-noted anomalies while consumer goods postings were about level as lower department store and apparel sales offset increases in other categories.

Adjusted for onetime reporting events, taxable sales for all of Riverside County increased 5.1% over the same period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Quinn Company
BMW of Riverside	Raceway Ford
Carmax	Raceway Nissan
Champion Lumber	Riverside Chevrolet
Consolidated Electrical Distributors	Riverside Honda
	Riverside Mazda
	Riverside Nissan
Dutton Cadillac, Buick, GMC	Sams Club w/ Fuel
Fritts Ford	Stater Bros
Home Depot	Target
Lexus of Riverside	Toyota of Riverside
Main Electric Supply	Walmart Supercenter
Moss Bros Chrysler Dodge Jeep Fiat	Walters Porsche/Audi/Mercedes Benz
Nordstrom	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$14,358,777	\$13,862,069
County Pool	1,763,580	1,741,992
State Pool	4,882	10,733
Gross Receipts	\$16,127,240	\$15,614,793
Measure Z	\$0	\$14,070,464

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.

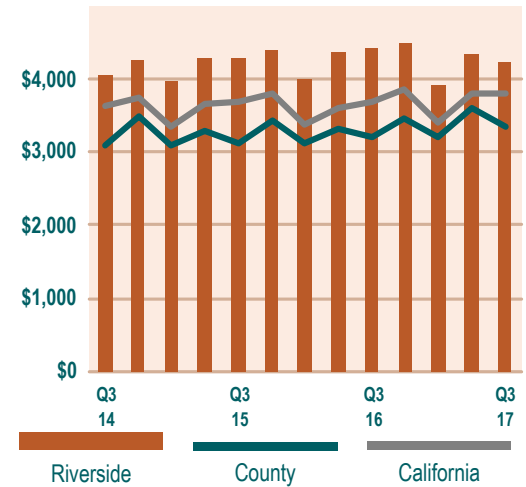
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

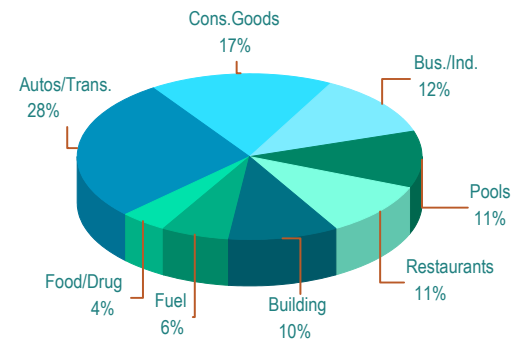
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five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



RIVERSIDE TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Riverside		County	HdL State
	Q3 '17*	Change	Change	Change
Auto Lease	333.9	-9.1%	0.8%	4.6%
Building Materials	845.2	5.9%	4.8%	5.6%
Casual Dining	599.9	4.2%	5.1%	2.3%
Department Stores	315.7	-5.3%	-5.7%	-7.5%
Discount Dept Stores	724.0	3.0%	4.5%	6.1%
Electronics/Appliance Stores	313.6	1.7%	-2.9%	0.3%
Family Apparel	291.4	-0.2%	0.0%	1.7%
Grocery Stores	390.7	-3.1%	1.6%	0.6%
New Motor Vehicle Dealers	2,854.9	-2.9%	3.9%	0.9%
Plumbing/Electrical Supplies	503.3	11.0%	7.0%	4.6%
Quick-Service Restaurants	755.2	6.2%	5.3%	4.8%
Service Stations	962.3	9.6%	8.7%	9.2%
Specialty Stores	278.0	14.4%	-0.6%	2.2%
Used Automotive Dealers	355.8	-6.0%	26.7%	3.1%
Warehouse/Farm/Const. Equip.	— CONFIDENTIAL —		2.0%	7.3%
Total All Accounts	13,862.1	-3.5%	6.0%	4.1%
County & State Pool Allocation	1,752.7	-0.9%	8.8%	4.8%
Gross Receipts	15,614.8	-3.2%	6.3%	4.2%