

Q3 2019



City of Riverside Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

Riverside In Brief

Riverside's receipts from July through September were 11.0% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding aberrations, actual sales were up 1.2%.

Despite recent statewide and national trends, the automotive sector held up fairly well and posted a 3.1% gain in actual sales. New auto sales and leases accounted for most of the gain. New quick-service and casual dining eateries helped boost restaurants 5.1%. Actual fuel sales were 3.0% higher, while the city's allocation from the countywide use tax pool increased 5.3%.

The gains in actual sales were largely offset by sharp drops in building materials and contractors' supplies, payment aberrations that dragged down business and industry, and sluggish overall retail sales.

Measure Z generated an additional \$16,368,148, 4.5% lower than the prior year. Adjusting for anomalies, sales were up 6.6%.

Net of aberrations, taxable sales for all of Riverside County grew 4.5% over the comparable time period; the Southern California region was up 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|--------------------------------------|------------------------------------|
| Arco AM PM | Quinn CAT Company |
| Best Buy | Raceway Ford |
| Carmax | Riverside Chevrolet |
| Champion Lumber | Riverside Honda |
| Chevron | Riverside Volkswagen |
| Consolidated Electrical Distributors | Sams Club w/ Fuel |
| DCH Subaru of Riverside | Standard Textile Co |
| Dutton Cadillac, Buick, Pontiac, GMC | Stater Bros |
| Fritts Ford | Target |
| Home Depot | Toyota of Riverside |
| Lexus of Riverside | Walmart Supercenter |
| Main Electric Supply | Walters Porsche/Audi/Mercedes Benz |
| Moss Bros Chrysler Dodge Jeep Fiat | |

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

| | 2018-19 | 2019-20 |
|-----------------------|---------------------|---------------------|
| Point-of-Sale | \$16,969,219 | \$15,259,086 |
| County Pool | 2,711,247 | 2,260,887 |
| State Pool | 8,894 | 5,997 |
| Gross Receipts | \$19,689,359 | \$17,525,970 |
| Measure Z | \$17,146,909 | \$16,368,148 |

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

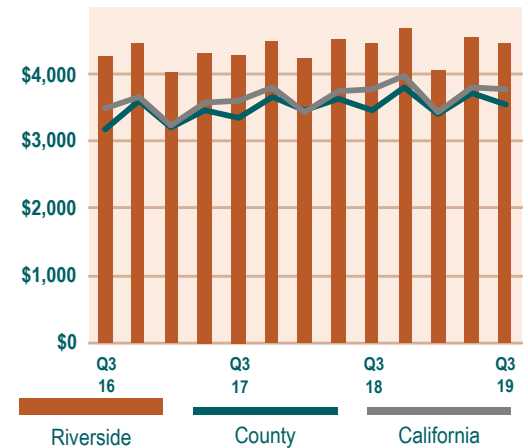
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

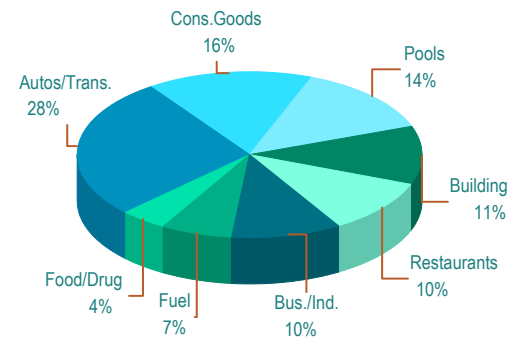
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Riverside This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

RIVERSIDE TOP 15 BUSINESS TYPES**

| Business Type | *In thousands of dollars | | | |
|---|--------------------------|-------------|---------------|------------------|
| | Riverside Q3 '19* | Change | County Change | HdL State Change |
| Auto Lease | 512.3 | 14.0% | 7.1% | 4.6% |
| Building Materials | 811.8 | -13.6% | 12.0% | 0.2% |
| Casual Dining | 618.1 | 2.9% | 2.5% | 2.3% |
| Contractors | 252.9 | -15.4% | 1.8% | 2.5% |
| Department Stores | 281.1 | -7.0% | -3.1% | -9.5% |
| Discount Dept Stores | 734.5 | 2.0% | 5.2% | 2.8% |
| Electronics/Appliance Stores | 312.1 | -5.5% | -1.4% | -3.1% |
| Family Apparel | 310.3 | 4.9% | 3.9% | 1.5% |
| Grocery Stores | 444.8 | -0.5% | 1.2% | 1.7% |
| New Motor Vehicle Dealers | 2,927.3 | 2.1% | 1.5% | -7.2% |
| Plumbing/Electrical Supplies | 792.8 | 7.9% | 3.6% | 4.3% |
| Quick-Service Restaurants | 850.3 | 6.6% | 4.9% | 2.6% |
| Service Stations | 1,161.0 | 3.0% | 1.7% | -1.5% |
| Used Automotive Dealers | 403.5 | -1.1% | 2.2% | 2.1% |
| Warehse/Farm/Const. Equip. | — CONFIDENTIAL — | | 19.5% | 9.9% |
| Total All Accounts | 14,616.5 | 0.7% | 4.0% | 0.2% |
| County & State Pool Allocation | 2,313.2 | 5.1% | 7.5% | 14.9% |
| Gross Receipts | 16,929.7 | 1.2% | 4.5% | 2.3% |

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.