

# Q4 2018



# City of Riverside Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

## Riverside In Brief

Riverside's receipts from October through December were 7.9% above the fourth sales period in 2017. Excluding aberrations, actual sales were up 6.2%.

The State continues to make progress in processing returns using the new reporting software, resulting in a reduction in the number of delayed allocations compared to recent quarters.

The largest gain for the City during the quarter came from a 32.7% increase in the City's allocation from the countywide use tax pool due to a spike in receipts in the pool caused in part by misallocated payments. Similarly, almost half the gains in building and construction and business to business were due to misallocations that belong to other jurisdictions.

Increased receipts from new and used auto sales and transportation rentals boosted the auto sector. Higher retail gas prices lifted fuel sales 9.9%. Food and drugs and restaurants and hotels posted modest gains, while store closeouts played a major role in the 1.7% decline in retail sales.

The City's Measure Z one cent transaction tax posted a 10.3% increase in sales during the quarter.

Actual taxable sales for all of Riverside County grew 6.2% over last year; the Southern California region was up 2.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$28,586,968	\$32,387,441
County Pool	3,609,930	5,190,130
State Pool	14,934	16,496
<b>Gross Receipts</b>	<b>\$32,211,832</b>	<b>\$37,594,067</b>
<b>Measure Z</b>	<b>\$28,783,856</b>	<b>\$33,933,986</b>

**Statewide Results**

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

**The Retail Evolution Continues**

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

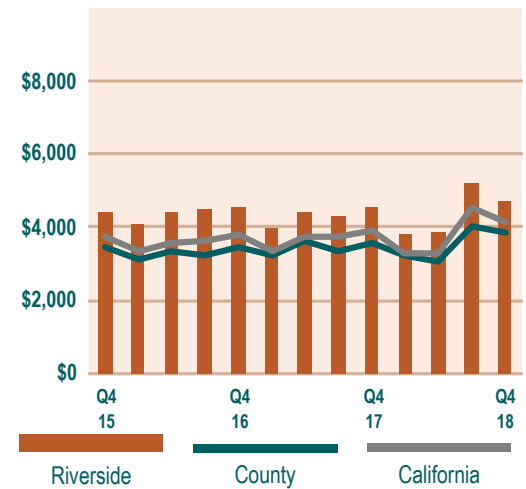
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

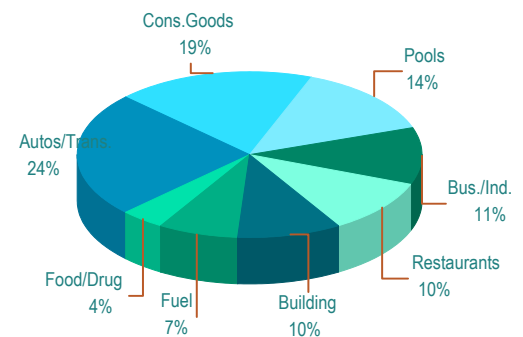
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Riverside This Quarter



**RIVERSIDE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Riverside Q4 '18*	Change	County Change	HdL State Change
Auto Lease	419.6	-0.6%	12.0%	-11.4%
Building Materials	796.3	0.9%	8.6%	5.5%
Casual Dining	661.5	2.3%	2.6%	2.5%
Contractors	368.7	60.6%	19.2%	17.5%
Department Stores	482.0	2.8%	0.4%	-3.4%
Discount Dept Stores	849.7	3.9%	7.9%	3.9%
Electronics/Appliance Stores	433.8	-4.0%	1.9%	-1.6%
Family Apparel	358.4	4.7%	0.1%	0.5%
Grocery Stores	430.3	-16.8%	-15.6%	-11.7%
New Motor Vehicle Dealers	2,721.7	1.2%	0.5%	5.8%
Plumbing/Electrical Supplies	568.6	14.7%	7.5%	8.8%
Quick-Service Restaurants	872.4	9.9%	7.2%	6.6%
Service Stations	1,288.5	35.2%	27.2%	28.4%
Used Automotive Dealers	412.4	19.6%	10.3%	5.6%
Warehouse/Farm/Const. Equip.	— CONFIDENTIAL —		14.9%	3.1%
<b>Total All Accounts</b>	<b>15,418.2</b>	<b>4.7%</b>	<b>9.6%</b>	<b>7.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>2,486.5</b>	<b>32.8%</b>	<b>39.0%</b>	<b>8.6%</b>
<b>Gross Receipts</b>	<b>17,904.7</b>	<b>7.9%</b>	<b>12.9%</b>	<b>7.2%</b>