

Q1 2017



Rancho Mirage Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Rancho Mirage In Brief

Rancho Mirage's receipts from January through March were 7.8% above the first sales period in 2016. Actual sales activity was up 7.3% when reporting aberrations were factored out.

The City experienced a strong sales quarter for hotels-liquor and medical/biotech.

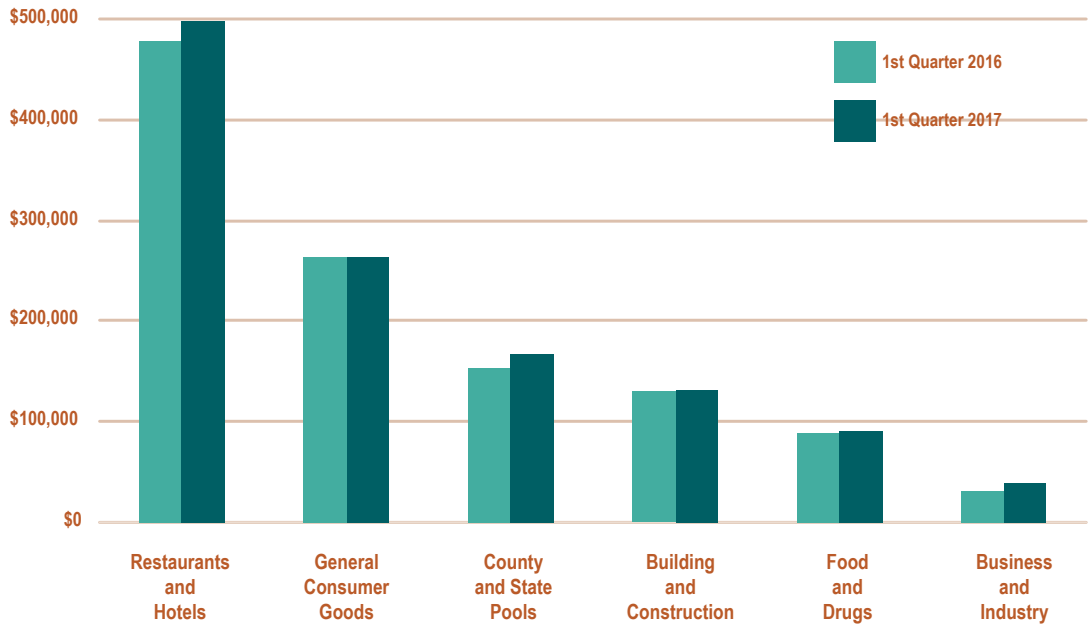
Recent additions helped boost revenues from specialty stores, fine dining and casual dining restaurants.

The City's allocation from the county use tax pool also increased overall results.

The gains were offset by a decline in sales from electronics/appliance stores.

Net of aberrations, taxable sales for all of Riverside County grew 3.3% over the comparable time period; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Mistys Consignments
Babes BBQ Grill & Brewhouse	Omni Rancho Las Palmas Resort & Spa
Cart Mart	Pacific Sales w/Best Buy
Cheesecake Factory	PF Changs
Chevron	Pirch
Clarks Nutrition Center	Porsche Leasing
Desert European Motorcars	Ritz Carlton Rancho Mirage
Ferguson Enterprises	Ritz Carlton Rancho Mirage
Gelson's Markets	Si Bon
Home Depot	Stein Mart
JP Morgan Chase Bank Nat L Assn	Verizon Wireless
Mission Hills Country Club	Westin Mission Hills
	Yard House

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$4,362,089	\$4,683,082
County Pool	512,152	582,240
State Pool	2,802	3,855
Gross Receipts	\$4,877,044	\$5,269,178
Less Triple Flip*	\$(861,994)	\$0

*Reimbursed from county compensation fund

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Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

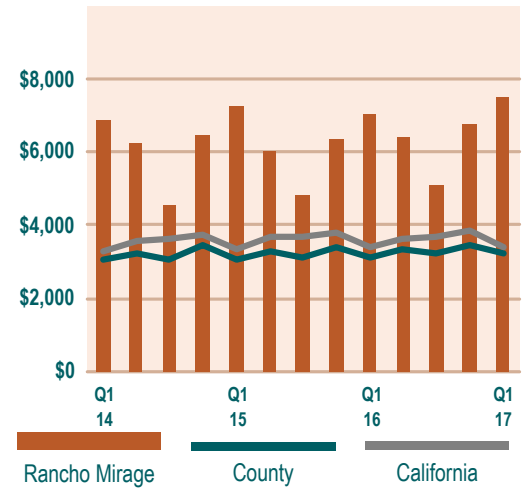
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

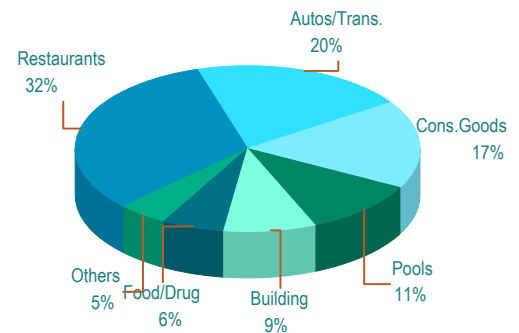
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Rancho Mirage This Quarter



RANCHO MIRAGE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Rancho Mirage Q1 '17*	Change	County Change	HdL State Change
Auto Lease	68.1	38.6%	8.0%	1.7%
Building Materials	— CONFIDENTIAL —	—	-7.3%	3.1%
Casual Dining	160.3	1.2%	7.0%	0.4%
Drug Stores	— CONFIDENTIAL —	—	-1.8%	-2.5%
Electronics/Appliance Stores	62.1	-14.4%	-0.6%	-0.3%
Fine Dining	70.4	5.2%	8.4%	13.4%
Grocery Stores	— CONFIDENTIAL —	—	0.8%	0.5%
Home Furnishings	73.7	0.1%	0.5%	-1.9%
Hotels-Liquor	186.2	7.0%	1.2%	6.2%
Leisure/Entertainment	43.1	-1.8%	35.6%	13.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	4.7%	4.4%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-0.1%	-1.5%
Quick-Service Restaurants	30.4	9.3%	4.5%	4.6%
Service Stations	— CONFIDENTIAL —	—	12.8%	9.9%
Specialty Stores	38.2	39.7%	-7.2%	0.4%
Total All Accounts	1,372.7	7.6%	3.9%	1.8%
County & State Pool Allocation	167.7	9.1%	5.3%	2.9%
Gross Receipts	1,540.3	7.8%	4.1%	1.9%