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## ECONOMIC NEWS & TRENDS

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This non-confidential edition includes recent excerpts from articles, studies, and economic research through the date of publication. The content focuses on trends and news between mid-January and mid-April 2016. Readers should note that some of the sources may require a subscription for a full review. MuniServices also publishes legislative reports that include bills related to economic development and revenues. Refer to the Government Relations section of MuniServices website at [www.muniservices.com](http://www.muniservices.com) for further detail. This report may also be forwarded to others in your agency or community.

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## HIGHLIGHTS

- **U.S. GDP:** Increased at an annual rate of 1.4% in 4Q2015; 2.3% growth for 2016, down slightly from 2015.
- **E-commerce sales in the U.S.:** 4Q2015 accounted for 7.5% of total sales.
- **CPI components that rose:** Shelter, recreation, medical care, education, tobacco, and personal care (March, 2016).
- **CPI components that declined:** Apparel, airline fares, communication, household furnishings and operations, and used cars and trucks (March, 2016).
- **Imports and exports:** Year-to-date goods and services increased 5.5%, from the same period in 2015. Exports decreased 5.5%; Imports decreased 2.1%.
- **U.S. automobile dealers’ sales:** Dropped 2.1% in March, the biggest decrease since February 2015. Purchases of cars and light trucks grew at a 16.5 million annualized rate in March, the slowest in more than a year.
- **2015 California new car dealer results:** Total sales: \$117.36 billion; Total taxes collected or paid: \$9.63 billion; Total spent for products and services from other California businesses: \$2.571 billion.
- **Barrel trading:** Continued trading between \$35 and \$40 per barrel in coming weeks (April 15, 2016).
- **California’s ranking:** Is the eighth largest in the world with a 2015 GDP of \$2.3 trillion; ranks third among 50 states in the 2014 State New Economy Index (Controller’s CAFR, March, 2016)
- **California sales and use tax year to date:** Sales tax cash (includes final payment for fourth quarter 2015 sales) and the first prepayment for the 1Q 2016 sales is \$122 million *below* forecast. The Controller in April, 2016 reported for the first nine months of the fiscal year, the sales tax is lagging by 0.9% for the fiscal year, to date.
- **California’s unemployment:** Decreased to 5.4% and nonfarm payroll jobs increased by 4,200 (April 15, 2016)
- **Hotel occupancy rates:** Increased to 74.7% in 2015, driving growth in revenue per available room of 10.5% (Controller’s CAFR, March, 2016).

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**SECTION 1 - U.S. ECONOMY****Financial Market and Economies (1Q2016)**

[https://www.morningstar.com/news/dow-jones/washington-wire/TDJNDN\\_201604015131/economy-chugs-on-despite-fears.html](https://www.morningstar.com/news/dow-jones/washington-wire/TDJNDN_201604015131/economy-chugs-on-despite-fears.html) (04/01/16); *Wall Street Journal* (02/17/16);

<http://www.federalreserve.gov/newsevents/press/monetary/20160406a.htm>

**U.S. economy:** Grew at a rate of 2.1% in 2015; U.S GDP growth rate in 2016 will remain between the 2-3% ideal range.

**Industrial production:** A broad measure of everything made by manufacturers, mines and utilities jumped 0.9% in January from a month earlier. Production hadn't expanded by more than that in a single month since May 2010.

**Odds of a recession:** The economy has been expanding at a steady but moderate pace since emerging from the recession in mid-2009. The odds of recession in the next 12 months have climbed to 21% (based on WSJ economist survey from February, 2016).

**Housing:** Housing has remained a bright spot in the U.S. economy, supported by low interest rates and ongoing job creation. Soaring rents in hot job markets make home purchase more appealing for those who can afford a down payment.

**New-home construction:** U.S. housing starts fell 3.8% from a month earlier to a seasonally adjusted annual rate of 1.099 million in January, 2016 (Commerce Department), the lowest rate since October, 2015.

**Starts:** Single-family homes (2/3rds market) fell to a rate of 731,000 from December's revised 761,000; multifamily units, which include apartments and condominiums, fell to 368,000.

**Impact from shortage of land and labor:** Leading to delays in projects' completion. Those delays often serve to push prices up so the builder can recoup costs.

**Jobs:** U.S. employers' added 215,000 jobs in March, 2016 with growth in just about every domestically oriented sector.

**Unemployment:** The unemployment rate, obtained from a separate survey of U.S. households, edged up to 5% in March, 2016, but that was largely due more Americans joining the labor force.

**Wage:** Relatively moderate wage growth suggests the labor market still has considerable room to bring in more workers without spurring high inflation. Wages were up 2.3% from a year earlier, slightly slower than the 2.6% year-over-year wage growth in December that marked the strongest improvement since 2009.

**U.S. manufacturing activity:** The Labor Department reports the manufacturing sector shedding 29,000 jobs in March, 2016 on top of February's loss of 18,000, the worst-hit major sector of the economy.

**The mining-and-logging:** A category that includes energy firms lost 12,000 jobs in March, 2016. The industry has cut 185,000 jobs since its peak in September 2014.

**Auto dealerships:** Contributed 5,000 new jobs as car sales remained elevated due to low interest rates and cheap gasoline.

**Low interest rates:** Helped sectors such as housing and boosting construction jobs.

**Consumer Price Index (CPI)**

<http://www.bls.gov/news.release/cpi.nr0.htm> (next release is May 17, 2016); <http://www.wsj.com/articles/u-s-consumer-prices-rose-slightly-in-march-1460637302> (for March, 2016)

**All urban consumers:** Increased 0.1% in March, 2016 and 0.9 over the last 12 months.

**Food index:** Fell 0.2% after rising in February, 2016 as five of the six major grocery store food groups declined.

**Energy index:** Rose for the first time since November, with all of its major components except natural gas increasing.

**Major component indexes that rose:** Shelter, recreation, medical care, education, tobacco, and personal care.

**Major component indexes that declined:** Apparel, airline fares, communication, household furnishings and operations, and used cars and trucks.

**Employment Data (March 2016)**

<http://www.bls.gov/news.release/empsit.nr0.htm> (04/01/16)

**Employment and unemployment:** Total nonfarm payroll employment rose by 215,000 in March 2016; unemployment had little change at 5.0% in March; employment gains occurred in several industries, led by retail trade, construction, and health care; mining and manufacturing employment continued to decline.

**Persons employed part time for economic reasons:** Was unchanged in March at 6.1 million and has shown little movement since November. These individuals, who would have preferred full-time employment, were working part-time because their hours had been cut back or because they were unable to find a full-time job.

**Persons not in the labor force that wanted work:** In March, 1.7 million persons were marginally attached to the labor force, down by 335,000 from a year earlier. These individuals had looked for a job sometime in the prior 12 months.

**Discouraged workers:** Among the marginally attached, there were 585,000 discouraged workers in March, down by 153,000 from a year earlier. Discouraged workers are persons not currently looking for work because they believe no jobs are available for them. The remaining 1.1 million persons marginally attached to the labor force in March had not searched for work for reasons such as school attendance or family responsibilities.

**Retail:** Retail trade added 48,000 jobs in March. Employment gains occurred in general merchandise stores (+12,000), health and personal care stores (+10,000), building material and garden supply stores (+10,000), and automobile dealers (+5,000). Over the past 12 months, retail trade has added 378,000 jobs.

**Construction:** Added 301,000 jobs over the last year (March 2015 to March 2016).

**Professional and business services industry:** Added an average of 52,000 jobs per month in 2015.

**Employment in manufacturing:** Declined by 29,000 in March 2016.

**Health care:** Increased by 503,000 (March 2015 to March 2016).

**“Gig Economy”**

<http://www.marketwatch.com/story/gig-economy-jobs-mostly-supplement-income-2016-02-18>

- Since 2005, the number of workers in alternative arrangements has climbed by more than half, rising to nearly 16% of the workforce from 10% a decade ago. The on-demand workforce or gig economy employs only about 600,000 people, or less than 0.5% of the workforce.
- Nearly 1% of U.S. adults earned income in September 2015 via one of the growing number of firms that are part of the sharing or gig economy. The average monthly income for someone who provided labor via one of the platforms was \$533, representing a third of total income.
- At 2.5 million, the sharing labor force is roughly equivalent to the number of teachers and others that work for public schools in the U.S., though the study finds that people driving for Lyft or selling crafts on eBay typically have other sources of income.

**U.S. Trends and Outlook**

[https://www.census.gov/retail/marts/www/marts\\_current.pdf](https://www.census.gov/retail/marts/www/marts_current.pdf) (04/13/16);

<http://bea.gov/newsreleases/international/trade/tradnewsrelease.htm>; (04/05/16);

<http://www.bls.gov/news.release/empsit.nr0.htm> (04/01/16);

<http://bea.gov/newsreleases/national/GDP/GDPnewsrelease.htm> (03/25/16)

<http://urbanland.uli.org/development-business/six-global-trends-commercial-real-estate-watch-2016/>

**Gross Domestic Product (GDP):** Increased at an annual rate of 1.4% in 4Q2015; in 3Q2015 the real GDP increased 2.0%; 2.3% growth for 2016, down slightly from 2015.

**U.S. manufacturing:** Production will grow 2.6% in 2016, 3.0% in 2017, and 2.8% in 2018.

**Interest rates:** The Federal Reserve Board raised the Federal funds rate to 0.5% in December 2015.

**Business spending:** Increasing by 4% in 2016.

**Inflation:** 2.4% in 2016; up from 0.7% rise in 2015. Helping to restore overall inflation to more normal levels of around 2% this year is an end to sharp declines in energy prices, including gasoline prices, which ended last year below \$2 a gallon. The recovery is likely to be small, perhaps only to \$2.25 a gallon for gasoline, but enough to push total inflation above 2%.

**Food sales:** \$446.8 billion in March 2016 (an increase of 1.7% from March 2014).

**Retail sales:** Core retail sales, excluding cars, gas, building materials and food and drink, will increase by 3.8% in 2016, down from 4.6% from 2015. Building material and garden equipment and supplies dealers were up 10.8% from March 2015, while gasoline stations were down 15.6% from last year.

**Imports and exports:** Year-to-date goods and services increased \$10.8 billion, or 13.1%, from the same period in 2015. Exports decreased \$20.5 billion or 5.5%; Imports decreased \$9.7 billion or 2.1% (decrease in consumer goods).

**Issues affecting real estate:** Demographic shifts; excess capital supply; rising interest rates; global instability and currency devaluation; urbanization; energy; gap between rich and poor; infrastructure; real estate technology and crowd funding; and the changing retail model.

**SECTION 2 - CALIFORNIA'S ECONOMY****Comprehensive Annual Financial Report for Fiscal Year Ended June 2015**

<http://www.sco.ca.gov/Files-ARD-Local/LocRep/cafr15web.pdf> (released March, 16, 2016)

**California's economy:** Eighth largest in the world with a 2014-15 fiscal year GDP of \$2.3 trillion.

**Sales and use tax:** Year-to-date, sales tax cash (includes final payment for fourth quarter 2015 sales) as well as the first prepayment for the first quarter of 2016 sales is \$122 million *below* forecast. The Controller in April, 2016 reported for the first nine months of the fiscal year, the sales tax is lagging by 0.9% for the fiscal year, to date.

**Ranking in the U.S.:** California ranked third among 50 states in the 2014 State New Economy Index - an index that evaluates a state's economy based on factors related to innovation and knowledge based industries.

**Exports:** In 2014 exported \$174.1 billion in products (top five are computers and electronic products, transportation equipment, machinery (except electrical), manufactured commodities and chemicals).

**Visitor impact on the economy:** Attracted visitors spent more than \$1.7 billion in 2014.

**Recovery:** Completed its sixth year of recovery as it ended the fiscal year on June 30, 2015.

**Personal income:** Increased by 5.5% during the year, compared to the 4.6% increase posted for the U.S.

**Auto registrations:** A 9.9% increase in registrations occurred (this is an increase from the 6.6% year-over-year)

**Home value and sales:** As of June 2015 prices for existing single family homes were 7.0% higher and sales up by 11% compared to the prior year.

**Employment:** For June 2015 rose to 17.8 million jobs, a gain of more than 481,000 jobs from June 2014.

### California Forecast

[http://www.mercurynews.com/business/ci\\_29732433/job-growth-slow-california-but-no-recession-horizon](http://www.mercurynews.com/business/ci_29732433/job-growth-slow-california-but-no-recession-horizon); UCLA Anderson Forecast (04/06/16)

**Growth in California:** Slowing, but the tech boom and the sturdy job market in Silicon Valley and the Bay Area should help the state ward off a recession until at least 2018, economic forecasters predicted.

**Supply of labor, products and services:** Does not appear to have outstripped the demand for those. This means that the kinds of severe imbalances that tend to cause recessions have yet to sprout.

**Job growth:** California jobs grew by 3.0% in 2015. Anderson predicts that will slow to 2.4% growth in 2016.

**Unemployment:** Expected to improve over the next two years; should fall to an average of 5% in 2017, before rising to 5.1% during 2018. As of February, the statewide jobless rate was 5.5%. In February 2015, the statewide jobless rate was 6.7%.

**Personal income:** Adjusted for inflation, personal income rose 4.5% during 2015 in California, and is expected to increase 3.6% during 2016. But in 2017, should rise 3.2% and in 2018, 3.0%.

**Retail sales:** Expected to increase over the next few years, retail sales also are predicted to soften.

**Inflation:** Expected to worsen. Consumer prices rose 1.5% statewide in 2015 and expected to rise by an annual pace of 2.3% in 2016. In 2017, consumer prices are expected to jump 3.5%.

### California Economic Outlook

*Beacon Economics (March and April, 2016)*

**Hype:** High taxes, over regulated, people and businesses fleeing. **Reality:** State outperforming, certain industries more vulnerable than others, but others doing great, the enemy is California Environmental Quality Act (CEQA), and 'dumb taxes.'

**U.S. Recession:** Coming in 2018.

**Minimum wage:** Only \$1 out of \$4 in increased payroll costs go to needy households; there are small employment effects which mainly hit the most at-risk workers; increases in costs impact those on fixed incomes.

**What not to worry about:** The US dollar, asset bubbles, drought, income inequality, California business, taxes, California tax levels, Central Valley, politics. **What to worry about:** China, bad financial regulation, water policy, useless wage floor policies, California housing, lack of public investment, California tax structure, Sacramento, a lack of engagement. *(Editor's note: See <https://beaconecon.com> for context.)*

### California Labor and Employment Trends

<http://www.labormarketinfo.edd.ca.gov/Publications/Labor-Market-Analysis/calmr.pdf> (February, 2016)

[http://www.edd.ca.gov/About\\_EDD/pdf/urate201604.pdf](http://www.edd.ca.gov/About_EDD/pdf/urate201604.pdf) (April, 2016)

**Unemployment rate:** Decreased to 5.4 and nonfarm payroll jobs increased by 4,200 (April 15, 2016).

**Lowest unemployment rates:** In February was 3.0% in San Mateo. Twelve other counties had rates below 5.0% in February: Marin (3.2%); San Francisco (3.3%); Santa Clara (3.8%); Orange (4.0%); Sonoma (4.1%); Alameda (4.3%); San Luis Obispo (4.3%); Contra Costa (4.5%); Napa (4.5%); Placer (4.6%); San Diego (4.7%) and Mono (4.8%).

**Highest unemployment rate:** In February was 21.6% in Colusa County.

**Employment gains:** Forty-eight of the 50 sub-state areas recorded year-over employment gains, with the Los Angeles-Long Beach-Glendale showing the largest numerical job growth of 107,300 jobs (2.5%) and Alpine County showing the largest percentage growth of 33.3% (270 jobs). Sierra County was the only area to show a decrease in employment over the year, down 20 jobs (3.6%) since February 2015.

**California Real Estate**

[http://www.dof.ca.gov/finance\\_bulletins/2016/april/](http://www.dof.ca.gov/finance_bulletins/2016/april/)

**Sales and Median Prices:** The median price of homes sold in February was \$446,460, down 3.8% from the February 2015 median. Sales of existing homes totaled 393,360 units at a seasonally adjusted annualized rate in February, an increase from both the previous month and year by 2.6 percent and 6.4 percent, respectively.

**SECTION 3 - CALIFORNIA TRAVEL AND TOURISM TRENDS AND ECONOMIC IMPACT****Tourism Trends**

<http://industry.visitcalifornia.com/media/uploads/files/editor/CA%20Forecast%20February%202016%20-%2020160210.pdf>  
(February, 2016)

**Visitation to California:** Forecast to grow by 2.3% in 2016, following a 2.6% expansion in 2015 which outperformed our previous forecast. Visits to California from overseas will grow by 4.9% in 2016, on par with the previous year.

**Domestic visitation:** Will expand 2.2% in 2016 after outperforming expectation in 2015 with a gain of 2.6%.

**Occupancy rates:** California hotels increased to 74.7% in 2015, driving growth in revenue per available room of 10.5%.

**Visitation to California:** Grew 2.6% in 2015, kicking off a period of more moderate growth. Total visits will grow by 2.3% in 2016 before ticking up 2.4% in 2017 and settling to 2.0% in the outer years

**Domestic business travel to California:** Will outperform that of the U.S. in the near-term before tracking the nation more closely over the forecast horizon.

**Domestic leisure travel:** Will outpace the state's business segment and the nation as steady job and income growth in key source markets and expansion at attractions, such as Disneyland's Star Wars and Marvel theme parks, support travel demand.

**Visitor spending:** While food and lodging prices advanced in 2015, lower transportation costs kept overall travel prices subdued, tempering spending growth to 2.8%. There is an anticipated total visitor expenditures growth between 4.1% and 4.3% between 2018 and 2020.

**SECTION 4 - CALIFORNIA'S MINIMUM WAGE**

SB 3 (Leno) raises the State's minimum wage to \$10.50 per hour on January 1, 2017 for businesses with 26 or more employees, and will rise each year until reaching \$15 per hour in 2022. Small businesses (25 or fewer employees) are allowed until 2023 to phase in the increases. The law phases sick leave for In-Home Supportive Services workers starting in July 2018. Once the minimum wage reaches \$15 per hour for all businesses, wages could then be increased each year up to 3.5% (rounded to the nearest 10 cents) for inflation as measured by the CPI. The Governor can act by September 1 of each year to pause the next year's wage increase for one year if there is a forecasted budget deficit (of more than 1% of annual revenue) or poor economic conditions (negative job growth and lower retail sales receipts).

**UC Berkeley Labor Center Analysis**

<http://laborcenter.berkeley.edu/wp-content/uploads/2016/03/CA-15-Min-Wage-Impacts.jpg>;

<http://www.irl.berkeley.edu/research/livingwage>;

<http://www.nytimes.com/2016/04/03/sunday-review/how-the-15-minimum-wage-went-from-laughable-to-viable.html>

**Workers impacted:** Estimates that 5.6 million workers will receive wage increases. This does not include an additional 800,000 workers who will already receive wage increase due to \$15 an hour a result of local policies; represents 37% of the State's workforce.

**Affected workers throughout California's economy:** Retailers and restaurants account for more than a third of those who would be affected by the wage increase.

**Effects on businesses:** Higher wages will be absorbed by employers. The adverse effects on charging slightly higher prices are offset by the increased sales generated by the workers who receive raises. *(Editor's note: There is significant risk to jobs all the way back to suppliers. This runs the risk of costing many workers their jobs and companies will not absorb the costs.)*

**Workers by County Impacted**

**Alameda** (211,000); **Alpine, Amador, Calaveras, Inyo, Mariposa** (24,000); **Butte** (39,000); **Colusa, Glenn, Tehama, Trinity** (20,000); **Contra Costa** (117,000); **Del Norte, Lassen, Modoc, Plumas, Siskiyou** (17,000); **El Dorado** (22,000); **Fresno** (193,000); **Humboldt** (24,000); **Imperial** (35,000); **Kern** (155,000); **Kings** (24,000) **Lake, Mendocino** (23,000); **Los Angeles** (1,936,000); **Madera** (23,000); **Marin** (32,000); **Merced** (42,000); **Monterey, San Benito** (90,000); **Napa** (31,000); **Nevada, Sierra** (14,000); **Orange** (605,000); **Placer** (56,000); **Riverside** (339,000); **Sacramento** (242,000); **San Bernardino** (331,000); **San Diego** (522,000); **San Francisco** (144,000); **San Joaquin** (105,000); **San Luis Obispo** (51,000) ; **San Mateo** (100,000); **Santa Barbara** (90,000); **Santa Clara** (271,000); **Santa Cruz** (47,000); **Shasta** (30,000); **Solano** (54,000); **Sonoma** (73,000); **Stanislaus** (82,000); **Sutter, Yuba** (19,000); **Tulare** (94,000); **Ventura** (145,000) and **Yolo** (36,000).

**University of the Pacific / Center for Business and Policy Research Analysis**

[http://www.pacific.edu/Documents/school-business/BFC/MinWage/CBPR\\_15%20minimum%20wage%20fact%20sheet.pdf](http://www.pacific.edu/Documents/school-business/BFC/MinWage/CBPR_15%20minimum%20wage%20fact%20sheet.pdf)

In many counties, particularly those with a heavy dependence on agriculture and tourism, approximately 50% of current jobs have wages that would be affected by the legislation. Overall, it is estimated that 36.9% of all jobs across the Northern California mega region will be affected. The most affected industries are agriculture, restaurants, and retail while the least affected industries are utilities, information, and finance. In the San Francisco and the Silicon Valley 25-30% of workers will be affected, although many of these jobs will be impacted by local minimum wage ordinances even in the absence of statewide action.

**Cal Chamber Analysis**

<http://advocacy.calchamber.com/2016/04/01/minimum-wage-job-killer-goes-to-governor/>

They increase pay for minimum wage impacts salaried employees' compensation. In order for employees to qualify as "exempt" under any of the six exemptions in California, they must meet the salary-basis test, which is two times the monthly minimum wage. Under SB 3 that amount in January 2022 will rise from the current annual salary of \$41,600 to at least \$62,400, which is an increased cost to employers of \$20,800 per exempt employee. An increase in minimum wage will drive up workers' compensation costs, uniform/tool reimbursements, overtime, and consumer prices. *(Editor's note: This seems to imply one out of three will lose their jobs due to the additional costs.)*

**SECTION 5 - THE SHARED ECONOMY / ON-LINE PLATFORMS (SB 1102/ MCGUIRE)****Shared Economy - On-Line Platforms – Impact on TOT Revenues**

[http://leginfo.ca.gov/pub/15-16/bill/sen/sb\\_1101-1150/sb\\_1102\\_cfa\\_20160408\\_114832\\_sen\\_comm.html](http://leginfo.ca.gov/pub/15-16/bill/sen/sb_1101-1150/sb_1102_cfa_20160408_114832_sen_comm.html)

SB 1102 (McGuire) was amended in early April to develop policy that would create a method that would allow online platforms (“collecting platforms”) to elect to participate and collect TOT revenues and the return the revenue to locals. The State Controller would be responsible for developing guidelines to implement the bill. There are provisions to note including that local governments must notify the State Controller if they wish to be a “collecting jurisdiction”; “collecting platforms” would be subject to an annual audit or review that is conducted by the Controller; local governments’ would need to make a request of the Controller to allow locals or designated officer to review the Controller’s audit findings. MuniServices is carefully vetting the legislation and implications for locals – we are especially concerned with the local control implications that the bill presents.

**SECTION 6 - E-COMMERCE AND CHANGING ECONOMY****Quarterly Retail E-Commerce Sales / 4th Q 2015/ Released February 17, 2016**

[https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf) (CB16-24) (next release is 05/17/16)

**Estimate:** Adjusted for seasonal variation for the fourth quarter of 2015, but not for price changes was \$89.1 billion, an increase of 2.1% from the third quarter of 2015.

**Total retail sales:** Estimated at \$1,184.8 billion from the third quarter of 2015.

**Increase in estimates:** Increased 14.7% from the fourth quarter of 2014.

**E-commerce sales:** Fourth quarter of 2015 accounted for 7.5% of total sales.

**How State Revenues Are Going After E-Commerce**

<http://www.wsj.com/articles/how-state-revenue-are-going-after-e-commerce-1457737547> (March, 2016)

In January a task force of the National Conference of State Legislatures (NCSL) voted to send out model legislation that lawmakers could use to undermine current precedent. The NCSL’s president, Utah state Sen. Curtis Bramble, stated that “states have the ability to enact legislation to overturn” the *Quill* decision. The state of Alabama has an effort to collect millions of dollars of tax revenue from businesses beyond its borders. Alabama’s revenue commissioner, Julie Magee, is putting forward an untested and suspect legal theory: The state claims that if its residents buy more than \$250,000 a year from a remote business, then the seller has an “economic presence” and should be treated the same as a brick-and-mortar shop in Mobile or Birmingham.

**Teaching and Learning the Benefits of Supporting the Local Economy**

<http://www.kidscoop.com/downloads/category/financial-literacy/>

*Please note that locals may use this resource:* The Financial Literacy section of *Kid’s Scoop* includes a ‘shop local’ series and asks the younger generation to consider: What happens to the money you spend in stores? Why is it important to support small local businesses in your community? How do the community in turn benefit from those businesses? The January 15, 2016 edition, focus is on teaching children about sales tax, looks at some basic economic principles about the relationship between exchanging money for goods and services. See <http://www.kidscoop.com/downloads/sales-tax/>.

**SECTION 7 - AUTO SALES AND TRENDS****California Auto Outlook/ 4th Q 2015 / Released February 2016**

<http://www.cncda.org/CMS/pubs/CNCDA%20EIR%202016%20FINAL.pdf>

**2015 Vehicle Sales:** New vehicles sold: 2,052,750; Used retail vehicles sold: 769, 500; Total: 2,822,250

**New Car Registrations:** New vehicle registration expects to remain above 2 million units in 2016; increased for the 6<sup>th</sup> consecutive year.

**Economic Impact Report:** Annual contributions of the State's new car dealers for 2015: Total sales: \$117.36 billion; Total taxes collected or paid: \$9.63 billion; Total spent for products and services from other California businesses: \$2.571 billion.

**Sales of Diesel Cars Fall**

<http://www.nasdaq.com/article/sales-of-diesel-cars-tumble-in-the-us-20160219-00041> (02/19/16)

Sales of new, diesel-powered passenger cars have nearly disappeared in the U.S. on the heels of Volkswagen AG's diesel-emissions cheating scandal, according to a U.S. automotive data provider. In January auto makers overall reported selling fewer than 225 such passenger cars compared with between 4,800 and 9,500 a month through the first eight months of 2015 (WardsAuto.com). Auto makers sold 3,500 diesel cars in U.S. September of 2015, and sales fell below 800 in each of the subsequent three months. There were 222 diesel-powered cars sold in the U.S. in January, a sharp decline from the 4,448 sold in the same period a year ago. January's U.S. sales were about a third of the 631 sold in December. Diesel car sales for 2015 peaked in May, when 9,300 were sold.

**Car Sales / Luxury Car Sales Dropping**

<http://www.thetruthaboutcars.com/2016/03/luxury-car-sales-plunging-america-early-2016/> (March, 2016)

U.S. automobile dealers' sales dropped 2.1% in March, the biggest decrease since February 2015. Purchases of cars and light trucks grew at a 16.5 million annualized rate in March, the slowest in more than a year. Lost in the story of booming auto sales volume in February 2016, the highest-volume February since 2001, was the underachieving premium market. Auto sales jumped 7 percent in February, a gain of 86,000 units, but 19 premium brands, from sector-leading Mercedes-Benz to one-model Alfa Romeo, combined for only a 1-percent year-over-year uptick during the same period.

**SECTION 8 - GASOLINE****California Gas Prices and Gas Tax**

<http://energyalmanac.ca.gov/gasoline/index.html> (as of 04/18/16)

- After a short lived fall dropping for a week, regular is higher than last week's price by a few cents.
- The average price in California for regular gasoline increased 2.1-cents from the previous week. The average statewide price for regular was \$2.771.
- The national average for self-serve regular is at \$2.137, up 6.8 cents from the previous week; is 63.4 cents lower than the price of regular in California.

### National Gas Prices and Energy Prices

*Kiplinger (04/15/16)*

- **Barrel trading:** Continued trading between \$35 and \$40 per barrel in coming weeks.
- **Increased national average:** Prices for gas will keep rising; the national average price of regular unleaded gasoline hit \$2.11 per gallon week of 04/15/16, up 7 cents from a week ago. Diesel is moving higher; at \$2.11 per gallon, the national average price of diesel is tied with gasoline.
- **Natural gas prices:** The benchmark gas futures contract continues to hold near our expected level of about \$2. The production is faltering because of a drop in drilling activity that should eventually push benchmark gas prices higher, especially if the coming summer.

### Wal-Mart's Decision to Pump Its Own Gas

<http://www.cspnet.com/fuels-news-prices-analysis/fuels-news/articles/behind-wal-mart-s-decision-pump-its-own-gas>  
(02/03/16)

Wal-Mart will build and operate its own gas stations. The shift is a sign that Wal-Mart is trying to profit as the retailer pours billions into boosting e-commerce sales to fend off Amazon and improve slow sales growth at stores, and by raising minimum wages for hourly employees to improve customer service. Like other retailers adding gas stations to parking lots, Wal-Mart will lure more shoppers to stores so they buy other, higher-margin items in the main store.

### SECTION 9 - GROCERY STORE/ SUPPLIER NEWS

#### Grocery Store Changes

<http://www.theshelbyreport.com> (January 2016 to April 2016)

**Aldi:** 45 stores in Southern California will open and nearly 2,000 coast to coast by the end of 2018

**365:** In May 2016 Whole Foods Market will open first 365 in Los Angeles

**Yummy.com:** Will open new stores in Hollywood, Los Angeles, Santa Monica, Silver Lake and Playa Vista

**Barons:** Opens in San Diego in Fresh & Easy location for a total of seven in Southern California

**Woodlands Market:** Opens in San Francisco

**Vintage Grocers:** Opens second store in Los Angeles; first location is in West Malibu

**Save Mart:** Closed two stores in Sacramento; and plans for closures in Stockton, San Jose and Santa Clara

**Whole Foods Market's:** First North Orange County location opened in February in Brea

**Grocery Outlet:** Has 244 stores in six states; has opened 10 since December 2015 in Los Angeles and between 12 and 15 will open in Southern California

**SECTION 10 - RETAIL NEWS****Retailers / On-Line Trends**

[www.nreionline.com](http://www.nreionline.com)

- **Marketing:** E-commerce is more of an opportunity than a threat to bricks-and-mortar retailing, bolstering marketing outreach and customer engagement.
- **Environmental impact:** Online shopping has an environmental impact that is 7% greater than mall shopping if shoppers bought the same number of products at a mall as they did in an online store
- **Returns:** 33% of online purchases are returned versus 7% of bricks-and-mortar purchases
- **Jobs:** Physical retail generates five times more jobs than online shopping for the same value of sales.
- **Reasons why physical retailers are closing shop:** Retailers are pouring “huge investments” into e-commerce, determining their physical stores are too big to sustain. “E-commerce is growing 12-13% per year, physical stores 2-3% per year, meaning there are less available dollars for physical retailers. (Source: McMillan Doolittle). In addition, while consumer confidence started to increase in the past few years, consumers’ willingness and ability to spend on discretionary purchases may not have had enough time to offset all the damage done by the Great Recession.

**On-Line Shopping and Store Changes**

[www.nreionline.com](http://www.nreionline.com); [www.plainvanillashsell.com](http://www.plainvanillashsell.com) (January 2016 to April 2016)

**Ambercrobie & Fitch:** Closing 60 stores per year

**Aeropostale:** Closing 175 in the years ahead

**Brookstone:** Filed bankruptcy in 2014; expanding in China with three stores

**Barnes and Noble:** Closing 223 stores through 2023; 10 stores closing in fiscal 2017 while opening four new concept stores

**Bargain Hunt:** Takes over Office Depot space in Antioch; is the 46th store under the discount retail chain concept and one of 20 planned openings nationwide this year

**Dollar General:** Approximately 1,000 new stores will open over the course of fiscal 2017

**Radio Shack:** In 2015 announced closing 1,784 of its 5,000 stores

**J. Crew:** Closing stores; opening discount namesake stores, J. Crew Factory and Madewell

**Jos. A. Banks:** Will close 250 stores this year (was purchased by Men’s Warehouse)

**Walmart:** Closing 154 stores in 2017, including 7 Southern California locations (overall 269 locations are being closed worldwide)

**Juice It Up!** Will develop throughout Southern California, opening a first location in Beaumont location with additional site selections in progress

**Kohl’s:** 18 underperforming stores will close this year; half in California

**Kmart:** Will close 13 locations in March, 2016

**Office Depot:** Closed 56 stores in the final quarter of 2015 and planning 50 closings in 2016

**Quiznos:** Closed more than 300 stores; filed for bankruptcy in 2015; has less than 1,000 locations down from 5,000 in 2006

**PacSun:** Closed over 250 stores between January 2011 and September 2015

**Petco:** Opening stores throughout the Country including one in Los Angeles in April

**Sports Authority:** Will close 140 of 450 stores

**Sports Chalet:** Closing all California locations and stopped selling on-line

**Staples:** Staples closed between 242 stores between 2014 and 2015; another 50 is planned for 2016

**Sears:** Sears will close 50 locations in 2016

**Spending Trends: Retail Sales See Surprise Drop**

<http://www.retaildive.com/news/us-retail-sales-see-surprise-drop-as-consumers-remain-wary/417364/> (April, 2016)  
2016);

<http://www.bloomberg.com/news/articles/2016-04-13/retail-sales-unexpectedly-fall-as-u-s-spending-loses-momentum>(April, 2016)

- **Wary consumers:** The Commerce Department's March 2016 shows a snapshot of the American spender. Although employment has been steady or improving for months and wage gains are happening, middle and lower incomes still must rise for Americans to widen their wallets.
- **U.S. retail and food services sales:** Fell 0.3% in March to \$446.9 billion. That missed a median forecast of a 0.1% gain from 81 economists surveyed by Bloomberg.
- **Retail trade sales:** March clothing and accessories sales fell 0.9%, general merchandise sales rose 0.5%, and electronics and appliance sales rose 0.1%. E-commerce sales fell 0.1%.
- **Paying debt:** Consumers are also choosing to save or pay off debt rather than spend, and when they do, they are increasingly favoring experiences over stuff.
- **Spending trends:** These new spending trends are forcing retailers to reconsider their marketing strategies and physical stores, offering more value to the consumer with no-cost online resources and free in-store events.
- **Decreases:** Led by the biggest drop in demand for autos in a year, and cutbacks at clothing stores, Internet merchants and restaurants.
- **Automobile dealers' sales:** Dropped 2.1% in March, the biggest decrease since February 2015. Purchases of cars and light trucks grew at a 16.5 million annualized rate in March, the slowest in more than a year, according to Ward's Automotive Group.
- **Gasoline:** Regular gasoline at the pump climbed last month to an average \$1.94 a gallon, or up 21 cents from the February average of \$1.73, according to AAA, the biggest U.S. auto group. Fuel costs, however, remain a tailwind for consumers as the February level was the lowest since 2009.
- **Purchases:** Excluding autos, purchases rose 0.2% last month after being little changed in February. The increase was paced by a 0.9% jump in receipts at service stations that probably reflected the recent pickup in gasoline prices.

**The Changing Retail Model**

[http://cre.org/CRE\\_2015-16\\_Top\\_Ten.cfm](http://cre.org/CRE_2015-16_Top_Ten.cfm)

The retail sector faces continued challenges. Merchandise offerings are subject to the preferences of demographic groups in transition. The sector is skewed by decreasing consumer purchasing power, often hampered by aging infrastructure, subject to steep declines in spending if an adverse event (think terrorist attack or cyber security breach) occurs. And yesterday's best location may be today's or tomorrow's worst as urbanization draws more households into cities. On the bright side, despite steady increases in online shopping, there is still a role for physical presence, where shoppers can browse and try products. Retailers that incorporate e-commerce elements, including fast delivery options, are well positioned, at least in the short term. There is continued pressure on existing properties to keep occupancy strong and adapt logistics. Store sizes, particularly within live/work/play, walkable, and transit-oriented developments are shrinking, but the attractive amenities of such "urban" shopping districts are being incorporated into suburban shopping areas.

**New Retail Phenomenon – “Snacking” – Nibble at Purchase**

<http://www.pymnts.com/news/mobile-commerce/2016/snacking-shoppers-use-apps-to-nibble-at-purchases/>

App-based “snacking,” or small, impulsive purchases made on mobile devices through the day, is largely coming to replace the increasingly antiquated practice of making a lower number of larger purchases on less portable devices. Not all retailers are finding themselves behind the eight ball, though. Amazon’s mobile app, which presents a user interface similar to its desktop version.

**Gift Cards - Retailers and Responsible for Fraud**

<https://ca.finance.yahoo.com/news/gift-cards-feel-pinch-rules-234200369.html> (March, 2016)

Americans are expected to load \$651 billion on prepaid cards this year, up 57% from six years ago. Nearly half of that is expected to involve the “open-loop” cards that can be used anywhere and that are affected by the new limits. Retailers are making it tougher to buy gift cards, a consequence of new credit-card rules that put them on the hook for fraud. Others have cut back to smaller denominations, put limits on repeat purchases or stopped selling certain cards altogether.

**Shopping Trends – When and How Men and Women Shop**

<http://www.wsj.com/articles/men-are-shopping-like-women-1455657516> (02/17/16)

Increasingly, men shop for clothes on their phones and frequently check retailer websites for new products or brands. As an example traffic at Mr Porter, Net-a-Porter’s luxury online men’s store, picks up noticeably on Tuesdays and Fridays. Those are the days when new products and brand launches arrive on the site. The retailer reports that 25% of its traffic comes from men shopping on their mobile devices, up from 12% in 2014.

**Nordstrom’s E-Commerce Strategy: Failure or Success?**

<http://nreionline.com/retail/nordstrom-s-e-commerce-strategy-failure-or-success>

- In 2014 Nordstrom said it would continue to invest in e-commerce, to deliver merchandise to its customers in whichever way they preferred.
- In the first quarter of 2014, the net sales had increased year-over-year by 33.0%, on top of a 25.0% increase experienced the year before. The company reported that in the fourth quarter of 2015 same-store sales for its off-price division, Nordstrom Rack, dipped 3.2%.

**SECTION 11 – RESTAURANT TRENDS**

**Cocktail and Beer Market Share:** Despite the craft beer craze, beer lost a portion of its share of U.S. alcohol revenue in 2015 to liquor for the sixth consecutive year and the 12th time in the past 15 years. U.S. Beer’s market share fell to 48% last year from 56% in 2000. Liquor has risen to 35% from 29% and wine to 17% from 16%. Spirits tastings are now allowed in stores in 38 states compared with 22 in 2001.

**No Restaurants for App:** There is a revolution in high-speed food delivery. Some chefs are trading in restaurants for an ordering app.

**Fast Casual:** Traffic to fast-casual restaurants grew even faster, with 6% more customer visits in the year ending February 2016 compared to a year ago.

**Zero Waste:** Two restaurant concepts are opening in Los Angeles that will take a zero waste approach. The average kitchen probably wastes about 30% – the new restaurants by Chef Marcel Vigneron are in the 5% range.