

Q1 2017



City of Murrieta Sales Tax *Update*

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

Murrieta In Brief

Murrieta's receipts from January through March were 14.9% above the first sales period in 2016.

Recent business additions and a strong sales quarter boosted revenues for the autos and transportation sector. Higher fuel prices were responsible for the increase in service stations.

Increased interest in home improvement projects resulted in higher returns for building materials and plumbing/electrical supplies. New retail stores resulted in gains for both women's apparel and family apparel.

A correction of previously misallocated local tax caused a temporary increase for light industrial/printers. Greater variety and new concepts continue to enhance interest in dining out positively impacting many restaurants sectors, especially casual dining establishments.

The City's share of the countywide use tax pool increased 14.4% over the comparison period.

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

7 Eleven	Kohls
Abramovich Motors	Lowes
Arco AM PM	Mor Furniture For Less
Ashley Furniture	Ross
Best Buy	Sams Club w/ Fuel
BMW of Murrieta	Shell
Carmax	Target
Chevron	Temecula Motorsports
Dick's Sporting Goods	Tesoro Refining & Marketing
Financial Services Vehicle Trust	Toys R Us
Giant Inland Empire RV Center	Volkswagen of Murrieta
Home Depot	Walmart
Jeromes Furniture Warehouse	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$13,095,362	\$13,980,088
County Pool	1,528,650	1,739,774
State Pool	9,175	10,855
Gross Receipts	\$14,633,187	\$15,730,717
Less Triple Flip*	\$(2,812,583)	\$0

*Reimbursed from county compensation fund

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.

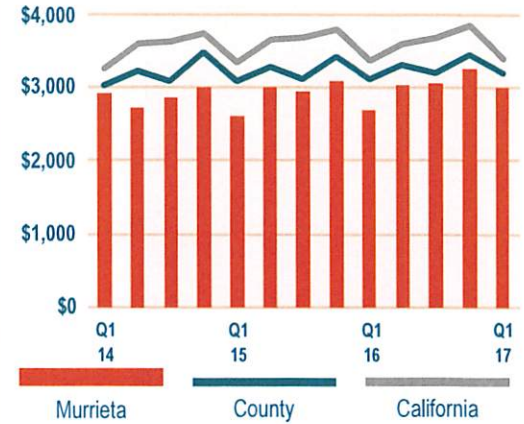
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

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.

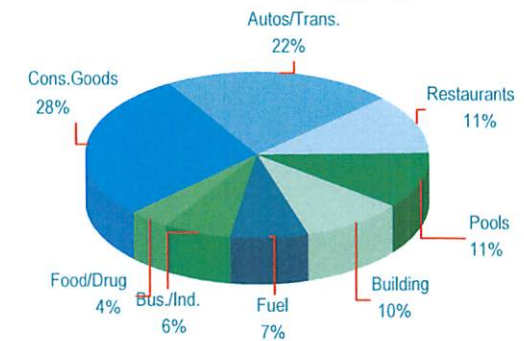
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (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
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Murrieta Q1 '17*	Murrieta Change	County Change	HdL State Change
Auto Repair Shops	80.2	18.2%	6.5%	5.2%
Boats/Motorcycles	— CONFIDENTIAL —	—	7.5%	1.0%
Building Materials	259.7	12.5%	-7.3%	3.2%
Casual Dining	157.6	11.9%	7.0%	0.3%
Discount Dept Stores	— CONFIDENTIAL —	—	1.2%	1.6%
Electronics/Appliance Stores	111.7	-1.0%	-0.6%	-0.3%
Family Apparel	76.7	27.4%	-0.6%	0.8%
Grocery Stores	71.9	-0.7%	0.8%	0.5%
Home Furnishings	176.7	-0.4%	0.5%	-1.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	4.7%	4.4%
Quick-Service Restaurants	219.9	6.8%	4.5%	4.6%
Service Stations	290.2	16.2%	12.8%	9.9%
Specialty Stores	95.9	0.7%	-7.3%	0.4%
Trailers/RVs	— CONFIDENTIAL —	—	13.3%	11.0%
Used Automotive Dealers	— CONFIDENTIAL —	—	17.9%	1.9%
Total All Accounts	3,463.6	14.7%	3.9%	1.8%
County & State Pool Allocation	423.1	16.3%	5.3%	2.9%
Gross Receipts	3,886.7	14.9%	4.1%	1.9%