

Q4 2013



City of Murrieta Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

Murrieta In Brief

Receipts for Murrieta's October through December sales were 23.5% higher than the same quarter one year ago. Actual sales activity was up 11.1% when reporting aberrations were factored out as all major business groups posted gains.

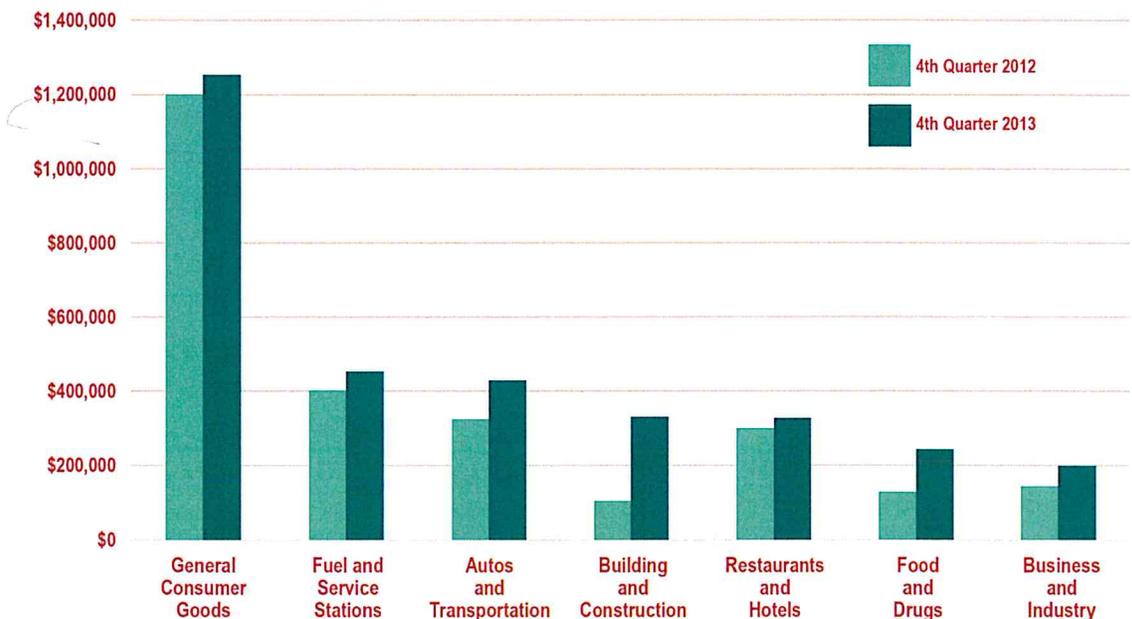
Strong sales results in all categories produced a large increase in autos and transportation. The solid gains in most categories of building and construction were inflated by payment aberrations and the addition of a new outlet to produce a very large increase for this business group. Multiple payment aberrations in grocery stores/liquor also contributed to the large gain in food and drugs.

A new outlet that was previously misallocated contributed to the increase in business and industry. Multiple business categories in the general consumer goods group posted solid gains. Strong growth among quick service restaurants helped post a solid increase in restaurants and hotels. Fuel and service stations bucked a statewide trend and posted a modest gain.

The city's allocation from the countywide use tax pool increased 15.7% during the quarter.

Adjusted for aberrations, taxable sales for all of Riverside County increased 5.2% over the comparable time period, while the Southern California region as a whole was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lowes
Arco AM PM	Mor Furniture for Less
Arco AM PM	Murrieta Hot Springs Shell
Best Buy	Murrieta Volkswagen
BMW of Murrieta	Ralphs
Burlington Coat Factory	Ross
Chevron	Sams Club
Circle K	Target
Giant Inland Empire RV Center	Temecula Motorsports
Home Depot	Tesoro Refining & Marketing
Jeromes Furniture Warehouse	Toys R Us
Kalmia Gas Mart	Walmart
Kohls	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$8,031,361	\$8,947,706
County Pool	921,436	966,568
State Pool	3,559	5,244
Gross Receipts	\$8,956,356	\$9,919,518
Less Triple Flip*	\$(2,239,089)	\$(2,479,879)

*Reimbursed from county compensation fund

Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

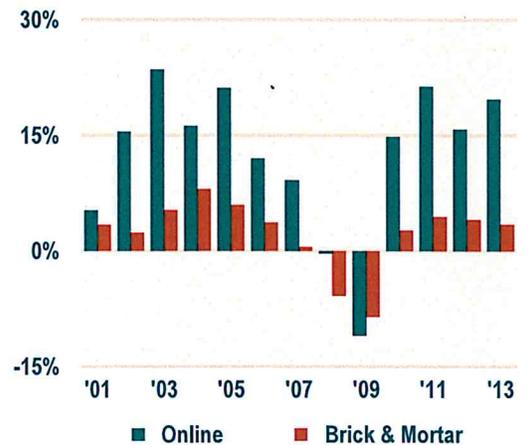
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

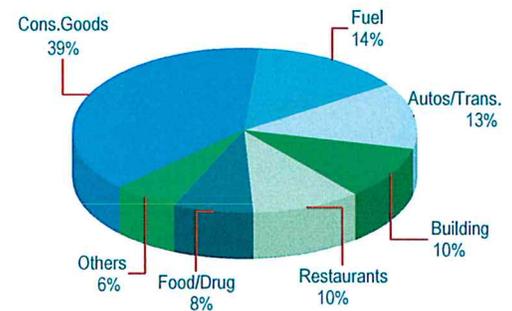
ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP

Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q4 '13*	Change	Change	Change
Boats/Motorcycles	—	CONFIDENTIAL	17.5%	12.5%
Casual Dining	100.1	1.3%	3.9%	6.4%
Contractors	62.5	4.8%	22.0%	15.1%
Department Stores	—	CONFIDENTIAL	1.7%	1.4%
Discount Dept Stores	—	CONFIDENTIAL	0.6%	0.2%
Electronics/Appliance Stores	150.5	1.0%	1.1%	-0.6%
Family Apparel	73.8	1.7%	4.2%	6.3%
Grocery Stores Liquor	164.7	236.8%	68.1%	38.8%
Home Furnishings	152.5	13.8%	10.4%	7.9%
Lumber/Building Materials	210.2	na	371.0%	263.1%
New Motor Vehicle Dealers	—	CONFIDENTIAL	15.0%	9.4%
Quick-Service Restaurants	178.8	14.5%	6.0%	7.9%
Service Stations	452.6	12.9%	2.2%	-2.8%
Specialty Stores	119.3	6.1%	10.0%	7.0%
Sporting Goods/Bike Stores	53.3	-3.5%	6.7%	5.4%
Total All Accounts	\$3,233.4	24.5%	11.0%	8.7%
County & State Pool Allocation	\$362.9	15.7%	3.1%	9.4%
Gross Receipts	\$3,596.3	23.5%	10.1%	8.8%