

Q1 2014



City of Murrieta Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Murrieta In Brief

Receipts for Murrieta's January through March sales were 22.7% higher than the same quarter one year ago. Actual sales activity was up 10.5% when reporting aberrations were factored out.

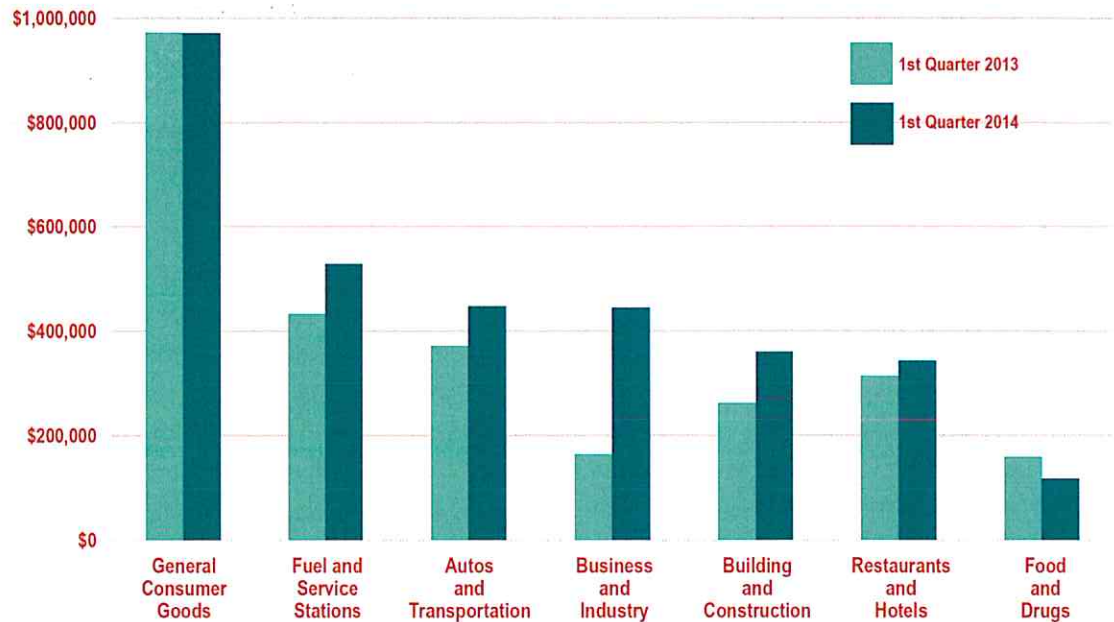
A onetime multi-quarter correction accounted for the spike in the business and industry group. Positive results in building and construction were inflated by retroactive adjustments. Similar events overstated fuel and service stations. A recent opening accounted for the adjusted gain of 7.6%.

Sales activity in auto-related sectors and restaurants surpassed regional and statewide trends. An increase in the countywide use tax allocation pool contributed to higher gross receipts.

Overall post-holiday retail sales dipped compared to a year ago. Nonetheless, both home furnishings and electronics posted higher returns. The drop in food and drugs was due to temporary reporting anomalies.

Adjusted for aberrations, taxable sales for all of Riverside County increased 5.7% over the comparable time period, while the Southern California region as a whole was up 3.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Kohls
Apex Fuels	Lowes
Arco AM PM	Mor Furniture For Less
Arco AM PM	Murrieta Hot Springs Shell
Best Buy	Nexus Is
BMW of Murrieta	Ross
Chevron	Sams Club
Circle K	Target
Giant Inland Empire RV Center	Temecula Motorsports
Harbor Freight Tools	Tesoro Refining & Marketing
Home Depot	USA Gasoline
Jeromes Furniture Warehouse	Walmart
Kalmia Gas Mart	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$10,705,400	\$12,162,549
County Pool	1,147,370	1,309,832
State Pool	5,437	8,202
Gross Receipts	\$11,858,207	\$13,480,583
Less Triple Flip*	\$(2,964,552)	\$(3,370,146)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

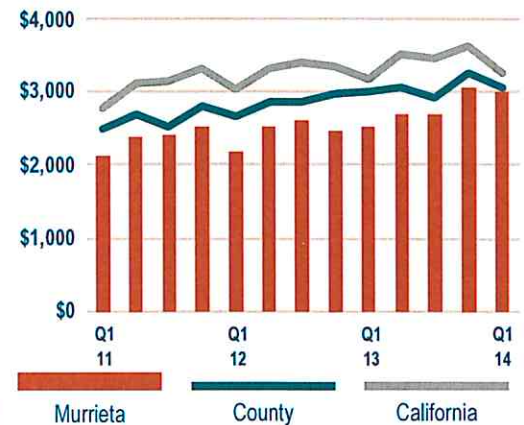
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



MURRIETA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Murrieta Q1 '14*	Murrieta Change	County Change	HdL State Change
Boats/Motorcycles	— CONFIDENTIAL —	—	51.2%	9.1%
Casual Dining	110.3	7.4%	7.8%	7.1%
Contractors	62.4	-4.0%	19.4%	14.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.4%	-2.6%
Electronics/Appliance Stores	106.2	8.2%	7.7%	2.4%
Family Apparel	56.3	-6.2%	0.2%	-3.2%
Home Furnishings	139.6	0.7%	7.2%	6.8%
Lumber/Building Materials	207.8	26.6%	24.7%	16.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	14.0%	9.4%
Office Equipment	— CONFIDENTIAL —	—	119.1%	-0.5%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-17.2%	-5.1%
Quick-Service Restaurants	181.3	13.3%	6.0%	4.8%
Service Stations	415.3	-3.9%	-1.0%	-1.0%
Specialty Stores	83.7	-0.8%	-18.6%	2.6%
Trailers/RVs	— CONFIDENTIAL —	—	14.9%	13.6%
Total All Accounts	\$3,214.8	20.2%	2.4%	3.2%
County & State Pool Allocation	\$346.2	52.0%	29.4%	7.7%
Gross Receipts	\$3,561.1	22.7%	4.5%	3.7%