

Q4 2014



City of Murrieta Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Murrieta In Brief

Receipts for Murrieta's October through December sales were 0.6% lower than the same quarter one year ago due mainly to large reporting aberrations in lumber/building materials, service stations and the countywide use tax pool. Significantly lower gasoline prices also contributed to the overall decline in receipts. Excluding aberrations, actual sales activity was up 5.6%.

Strong sales in multiple categories of autos and transportation, business and industry, and restaurants and hotels helped offset some of the losses. A new grocery store with liquor outlet lifted food and drugs, while the general retail group posted only a slight gain. Net of aberrations, building and construction also posted an increase.

The onetime takeaway from the countywide use tax pool lowered the city's allocation 27.5% from the prior year.

Adjusted for aberrations, taxable sales for all of Riverside County increased 5.3% over the comparable time period, while the Southern California region as a whole was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Mor Furniture for Less
Albertsons	Murrieta Hot Springs Shell
Apex Fuels	Nexus Is
Arco AM PM	Ralphs
Arco AM PM	Ross
Best Buy	Sams Club
BMW of Murrieta	Target
Chevron	Temecula Motorsports
Giant Inland Empire RV Center	Tesoro Refining & Marketing
Home Depot	Toys R Us
Jeromes Furniture Warehouse	Volkswagen of Murrieta
Kohls	Walmart
Lowes	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$8,947,706	\$9,490,158
County Pool	966,568	964,703
State Pool	5,244	7,905
Gross Receipts	\$9,919,518	\$10,462,766
Less Triple Flip*	\$(2,479,879)	\$(2,615,691)

*Reimbursed from county compensation fund

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

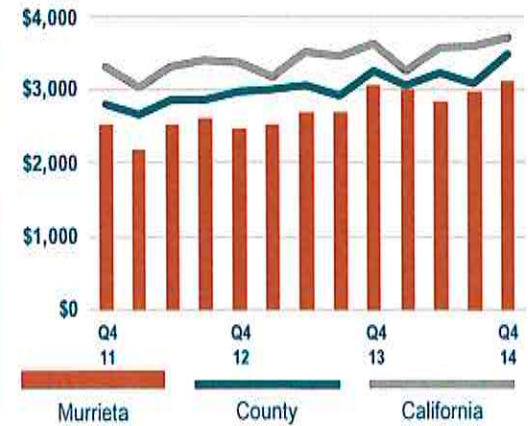
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

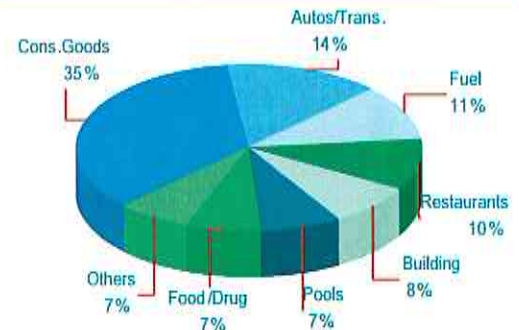
The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Murrieta Q4 '14*	Change	County Change	HdL State Change
Boats/Motorcycles	— CONFIDENTIAL —		41.0%	12.9%
Casual Dining	114.9	8.3%	11.5%	6.0%
Contractors	65.9	9.9%	7.1%	9.1%
Department Stores	— CONFIDENTIAL —		5.3%	1.0%
Discount Dept Stores	— CONFIDENTIAL —		-0.5%	0.9%
Electronics/Appliance Stores	147.3	-2.1%	-0.3%	1.3%
Family Apparel	66.9	-16.6%	16.2%	5.1%
Grocery Stores Liquor	177.1	7.9%	1.2%	3.5%
Home Furnishings	169.5	11.1%	7.2%	6.8%
Lumber/Building Materials	176.2	-16.2%	-6.0%	-0.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —		10.6%	7.6%
Quick-Service Restaurants	175.7	5.4%	11.0%	7.5%
Service Stations	352.7	-22.1%	-13.3%	-10.5%
Specialty Stores	126.9	6.4%	8.4%	5.8%
Trailers/RVs	— CONFIDENTIAL —		12.7%	1.8%
Total All Accounts	\$3,309.7	2.4%	7.9%	3.8%
County & State Pool Allocation	\$264.9	-27.0%	-23.0%	4.7%
Gross Receipts	\$3,574.6	-0.6%	4.8%	3.9%