

Q3 2016



City of Murrieta Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Murrieta In Brief

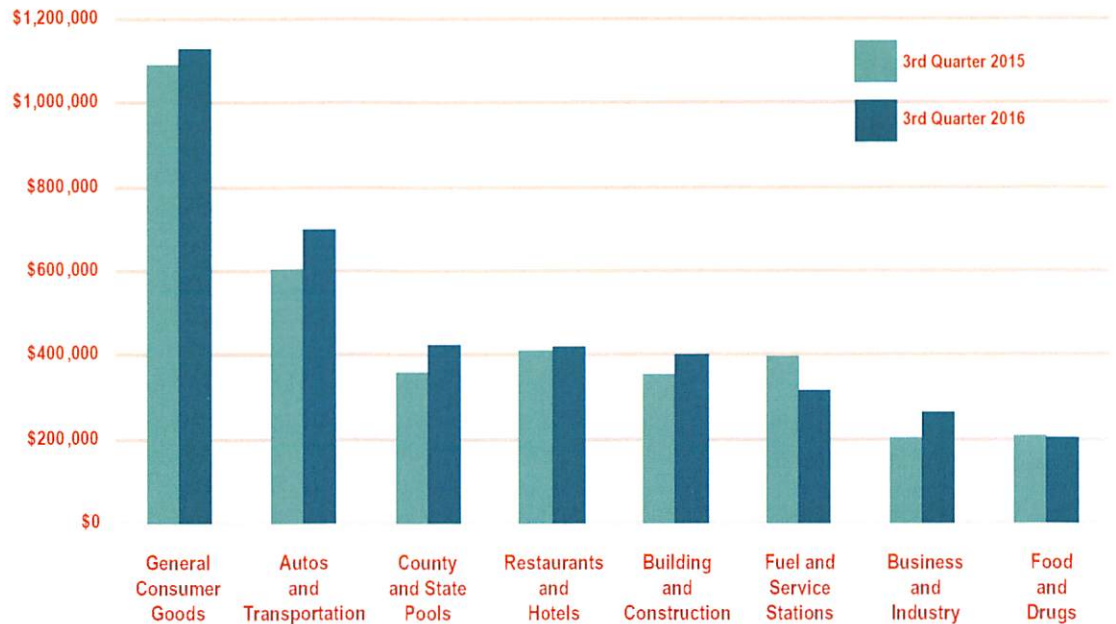
Murrieta's receipts from July through September sales were 6.4% higher than the same quarter one year earlier. Adjusted for accounting anomalies, actual sales increased 4.5%.

Recent additions to used car dealers, combined with strong leasing activity and a onetime sale in another category contributed to automotive group gains. Accounting events inflated results from lumber/building materials, plumbing/electrical and contractor supplies. Postings were up from several categories of consumer goods while new and reopened outlets helped restaurants. Receipt of funds due from a prior period spiked proceeds from the business and industry group. This quarter's allocation from the countywide use tax pool was also a factor for the overall increase in gross receipts.

Lower fuel prices and sales cut fuel and service station returns. Delayed payments temporary depressed receipts from specialty stores and the food and drugs group.

Net of reporting aberrations, taxable sales for all of Riverside County rose 4.4% over the same period; Southern California regional totals were up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Kohls
Arco AM PM	Lowe's
Ashley Furniture	Mor Furniture For Less
Best Buy	Nexus IS
BMW of Murrieta	Ralphs
Burlington Coat Factory	Ross
Chevron	Sams Club w/fuel
Dick's Sporting Goods	Shell
Financial Services Vehicle Trust	Target
Giant Inland Empire RV Center	Temecula Motorsports
Home Depot	Tesoro Refining & Marketing
Jeromes Furniture Warehouse	Volkswagen of Murrieta
	Walmart

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$6,628,781	\$6,859,961
County Pool	737,698	831,815
State Pool	3,387	2,338
Gross Receipts	\$7,369,866	\$7,694,114
Less Triple Flip*	\$(1,842,467)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

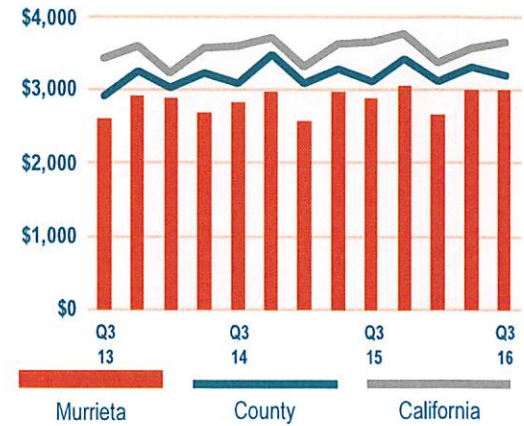
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

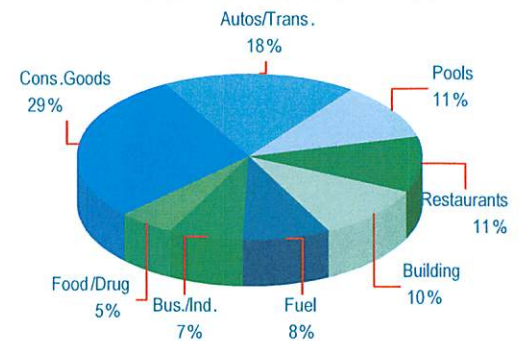
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Murrieta		County	HdL State
	Q3 '16*	Change	Change	Change
Boats/Motorcycles	—	CONFIDENTIAL	11.2%	3.7%
Casual Dining	139.7	7.8%	11.1%	4.5%
Contractors	74.8	14.0%	13.7%	1.5%
Discount Dept Stores	—	CONFIDENTIAL	-0.7%	-0.4%
Electronics/Appliance Stores	115.3	3.0%	1.5%	-1.5%
Family Apparel	65.4	17.6%	4.7%	5.8%
Grocery Stores	136.3	-6.0%	-4.7%	-2.2%
Home Furnishings	202.0	15.6%	0.4%	-0.2%
Lumber/Building Materials	252.4	12.3%	13.5%	6.8%
New Motor Vehicle Dealers	—	CONFIDENTIAL	3.3%	4.8%
Quick-Service Restaurants	216.5	4.6%	12.7%	8.9%
Service Stations	317.2	-14.1%	-15.1%	-13.8%
Specialty Stores	88.2	-9.7%	-0.6%	2.0%
Sporting Goods/Bike Stores	65.9	26.1%	2.8%	-0.6%
Trailers/RVs	—	CONFIDENTIAL	21.0%	11.8%
Total All Accounts	3,436.5	5.1%	4.1%	0.9%
County & State Pool Allocation	423.2	18.1%	17.0%	11.5%
Gross Receipts	3,859.7	6.4%	5.4%	2.2%