

Q2 2014



City of Murrieta Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Murrieta In Brief

Receipts for Murrieta's April through June sales were 6.0% higher than the same quarter one year ago. Actual sales activity continued its upward trend and increased 9.9% when reporting aberrations were factored out.

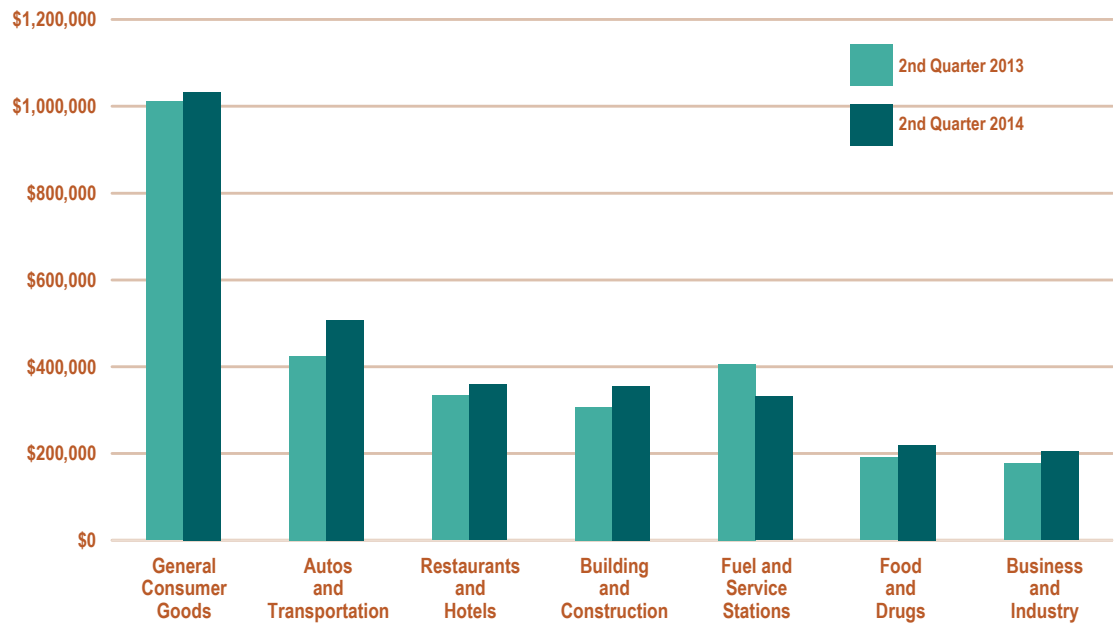
A strong sales quarter in multiple categories propelled the large gain in autos and transportation. Moderate sales growth, a recently opened outlet, and multiple payment aberrations all contributed to the large increase in building and construction.

An unusually high quarter from one outlet boosted food and drugs. Likewise, a large increase in sales from one outlet also caused the increase in business and industry. Quick-service restaurants receipts were up due higher sales activity and a new outlet.

Mixed results produced a modest gain in general consumer goods with home furnishings and family apparel posting gains, while electronics and sporting goods were down. Fuel and service stations was the lone group to down due to a large negative payment aberration in the current quarter, otherwise the group was up.

Adjusted for aberrations, taxable sales for all of Riverside County increased 6.8% over the comparable time period, while the Southern California region as a whole was up 4.8%.

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	Ralphs
Chevron	Ross
Circle K	Sams Club
Giant Inland Empire RV Center	Target
Harbor Freight Tools	Temecula Motorsports
Home Depot	Volkswagen of Murrieta
Jeromes Furniture Warehouse	Walmart
Kalmia Gas Mart	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,850,774	\$3,012,838
County Pool	296,238	323,768
State Pool	1,958	2,267
Gross Receipts	\$3,148,971	\$3,338,873
Less Triple Flip*	\$(787,243)	\$(834,718)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

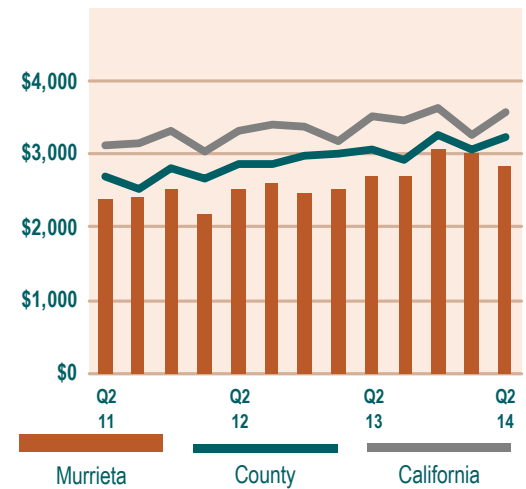
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

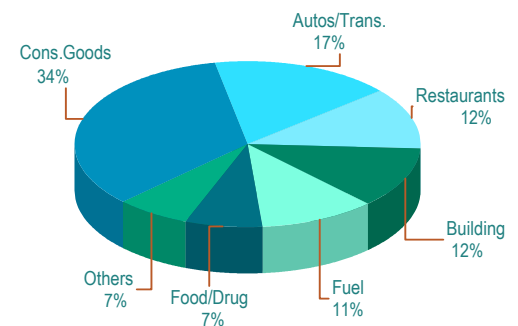
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Murrieta Q2 '14*	Murrieta Change	County Change	HdL State Change
Automotive Supply Stores	50.3	-10.1%	4.5%	2.4%
Boats/Motorcycles	— CONFIDENTIAL —	—	30.9%	10.3%
Casual Dining	111.0	2.5%	1.4%	3.5%
Contractors	69.8	-11.3%	17.4%	14.4%
Discount Dept Stores	— CONFIDENTIAL —	—	3.1%	2.9%
Electronics/Appliance Stores	92.3	-9.1%	-4.2%	-1.0%
Family Apparel	62.6	5.0%	12.4%	9.6%
Grocery Stores Liquor	143.2	21.0%	11.7%	5.7%
Home Furnishings	149.4	6.0%	4.8%	6.8%
Lumber/Building Materials	206.9	16.0%	10.2%	8.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	11.2%	7.4%
Quick-Service Restaurants	191.4	11.7%	8.2%	6.7%
Service Stations	295.7	-27.3%	12.1%	6.7%
Specialty Stores	87.5	1.0%	23.4%	7.8%
Trailers/RVs	— CONFIDENTIAL —	—	4.6%	9.9%
Total All Accounts	\$3,012.8	5.7%	7.2%	2.8%
County & State Pool Allocation	\$326.0	9.3%	10.9%	12.7%
Gross Receipts	\$3,338.9	6.0%	7.5%	3.9%