

Q1 2016



City of Murrieta Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Murrieta In Brief

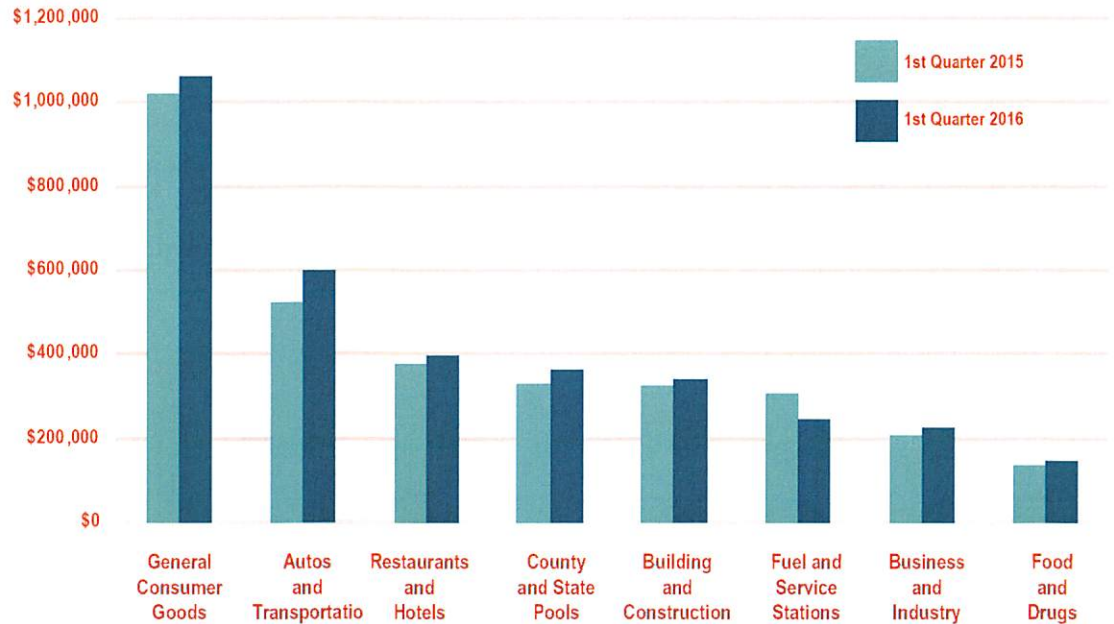
Murrieta's allocation of sales and use tax from its January through March sales was 4.6% higher than the first quarter of 2015.

Overall, the City experienced a solid quarter in most retail categories with recent additions and strong sales producing particularly large gains within the autos-transportation group. A rise in the countywide use tax allocation pool which was primarily due to the growth in online shopping where much of the merchandise is shipped from out of state was also a factor. Murrieta generates 4.1% of all the taxable sales in the county and thereby receives 4.1% of the county pool money.

The gains were partially offset by lower fuel prices in the first quarter of 2016 than the first quarter of 2015.

Adjusted for aberrations, sales and use tax receipts for all of Riverside County gained 3.4% over the comparable time period while Southern California as a whole was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Mor Furniture For Less
Best Buy	Murrieta Hot Springs Shell
BMW of Murrieta	Ross
Burlington Coat Factory	Sams Club
Chevron	Stater Bros
Dick's Sporting Goods	Target
Financial Services Vehicle Trust	Temecula Motorsports
Giant Inland Empire RV Center	Tesoro Arco
Harbor Freight Tools	Tesoro Refining & Marketing
Home Depot	Toys R Us
Jeromes Furniture Warehouse	Volkswagen of Murrieta
Kohls	Walmart
Lowes	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$12,391,931	\$13,095,362
County Pool	1,295,719	1,528,650
State Pool	7,962	9,175
Gross Receipts	\$13,695,612	\$14,633,187
Less Triple Flip*	\$(3,423,903)	\$(2,812,583)

*Reimbursed from county compensation fund

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

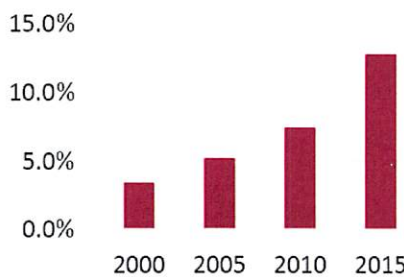
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

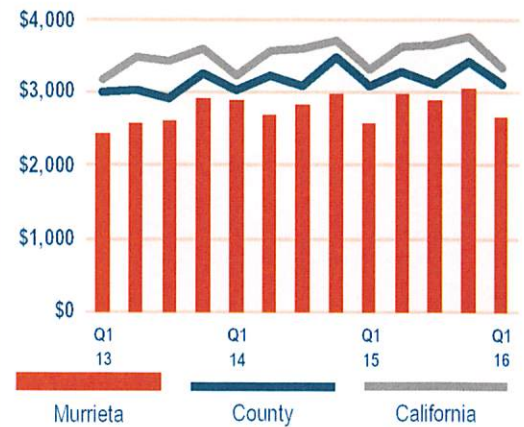
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

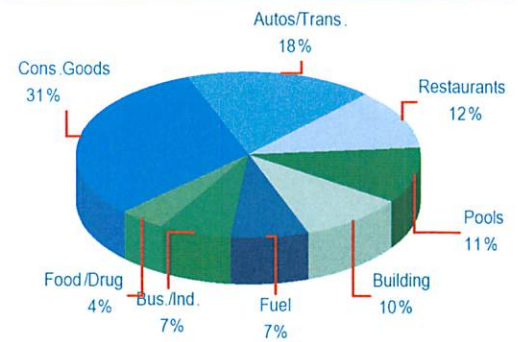
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Murrieta This Quarter**



MURRIETA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Murrieta Q1 '16*	Change	County Change	HdL State Change
Auto Repair Shops	67.6	19.3%	13.2%	7.2%
Boats/Motorcycles	— CONFIDENTIAL —		1.7%	4.5%
Casual Dining	140.9	0.2%	6.6%	5.4%
Contractors	88.1	32.2%	2.6%	3.4%
Discount Dept Stores	— CONFIDENTIAL —		0.3%	-0.3%
Electronics/Appliance Stores	112.9	21.9%	13.6%	2.7%
Grocery Stores Liquor	73.2	10.9%	3.7%	1.7%
Home Furnishings	177.4	-1.0%	5.1%	2.9%
Lumber/Building Materials	195.1	6.6%	15.7%	5.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —		3.1%	3.1%
Quick-Service Restaurants	206.0	14.0%	8.1%	6.5%
Service Stations	249.7	-13.5%	-10.3%	-9.4%
Specialty Stores	95.1	0.1%	3.0%	3.4%
Sporting Goods/Bike Stores	— CONFIDENTIAL —		-0.1%	1.2%
Trailers/RVs	— CONFIDENTIAL —		-1.5%	5.0%
Total All Accounts	3,019.1	4.0%	2.9%	1.8%
County & State Pool Allocation	363.8	9.9%	8.7%	14.1%
Gross Receipts	3,382.9	4.6%	3.5%	3.2%