

Q2 2016



City of Murrieta Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Murrieta In Brief

Murrieta's receipts from April through June were 2.5% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 3.8%.

Receipts from home furnishings were up; however, payment anomalies inflated the overall gain. New additions in the autos and transportation sector were responsible for modest gains. New restaurant openings and continued consumer interest in dining out led to solid restaurant and hotel results.

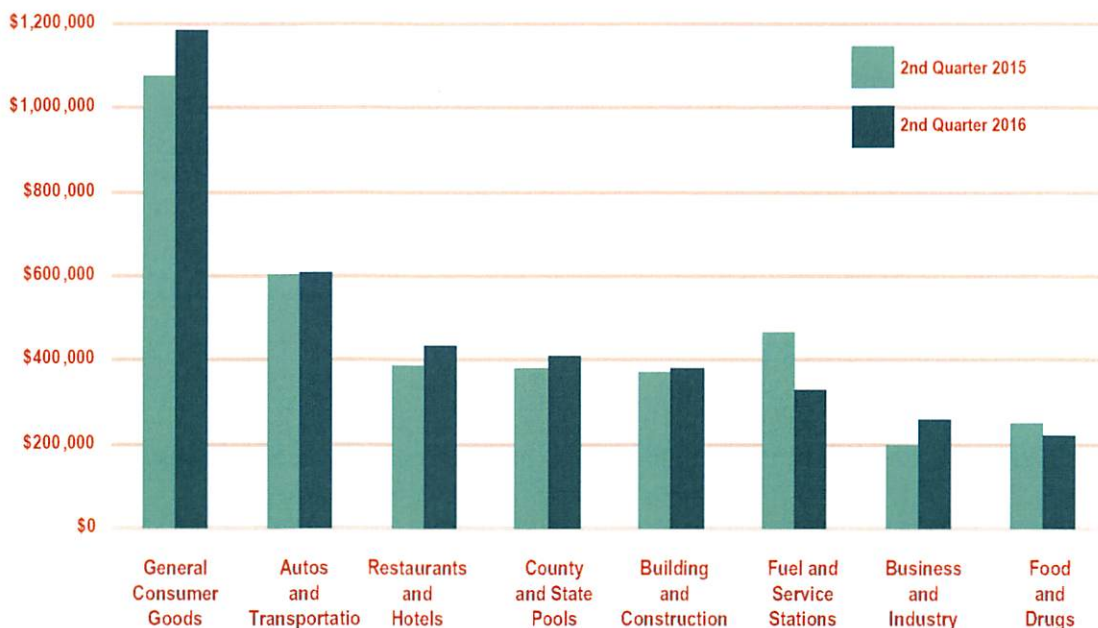
A recent correction of misallocated payments positively impacted electronics and appliance stores, while general consumer goods showed overall gains.

For the seventh straight quarter weak demand for crude oil and a stable supply of retail fuel locally pushed gas prices down negatively impacting revenue from fuel and service stations. Grocery stores with liquor were down, and receipts further depressed by onetime accounting adjustment in the prior period.

The City's share of the countywide use tax pool increased 7.9% over the comparison period.

Net of aberrations, taxable sales for all of Riverside County grew 3.1% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,358,135	\$3,423,501
County Pool	379,784	409,741
State Pool	2,784	1,169
Gross Receipts	\$3,740,703	\$3,834,411
Less Triple Flip*	\$(935,176)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

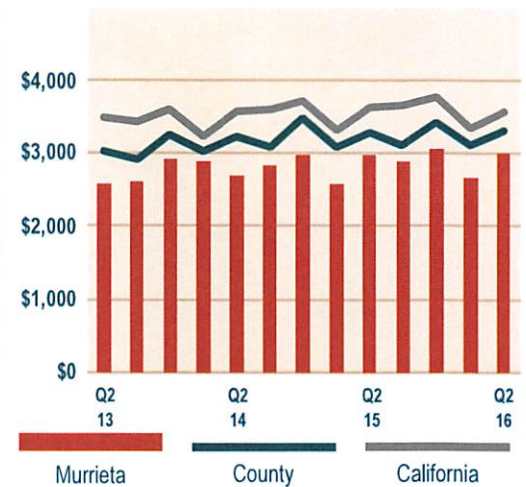
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

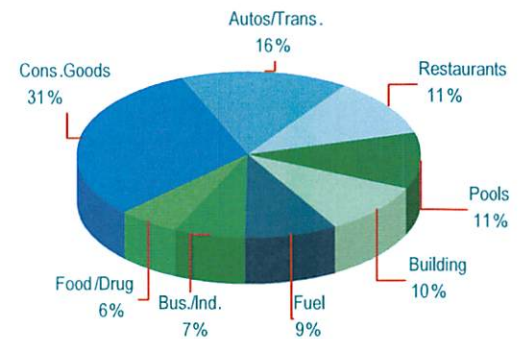
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Murrieta Q2 '16*	Murrieta Change	County Change	HdL State Change
Auto Repair Shops	66.1	4.9%	7.4%	4.7%
Boats/Motorcycles	—	CONFIDENTIAL	3.2%	6.5%
Casual Dining	146.3	7.8%	5.6%	4.5%
Contractors	68.5	11.9%	8.6%	6.4%
Discount Dept Stores	—	CONFIDENTIAL	1.2%	0.7%
Electronics/Appliance Stores	125.3	17.3%	32.8%	22.3%
Family Apparel	67.2	16.1%	2.1%	4.3%
Grocery Stores Liquor	144.0	-16.7%	2.9%	1.1%
Home Furnishings	203.4	20.8%	9.2%	1.4%
Lumber/Building Materials	240.0	1.0%	6.7%	3.3%
New Motor Vehicle Dealers	—	CONFIDENTIAL	2.0%	2.7%
Quick-Service Restaurants	221.2	11.2%	7.2%	6.5%
Service Stations	330.1	-27.1%	-18.1%	-19.2%
Specialty Stores	100.4	3.3%	3.2%	2.1%
Trailers/RVs	—	CONFIDENTIAL	2.5%	13.8%
Total All Accounts	3,423.5	1.9%	2.4%	-0.6%
County & State Pool Allocation	410.9	7.4%	7.9%	15.2%
Gross Receipts	3,834.4	2.5%	3.0%	1.4%