

Q2 2020



City of Murrieta Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Murrieta In Brief

Murrieta's receipts from April through June were 1.4% below the second sales period in 2019. Excluding reporting aberrations, actual sales were down 5.7%.

The COVID-19 impact hit hard, and this pushed down most major industry groups. With many businesses mandated to close the majority of the quarter, the biggest decline was in general consumer goods including home furnishings, electronic/appliance stores, and family apparel. Reduced demand and consumption of fuel translated into much lower service station receipts.

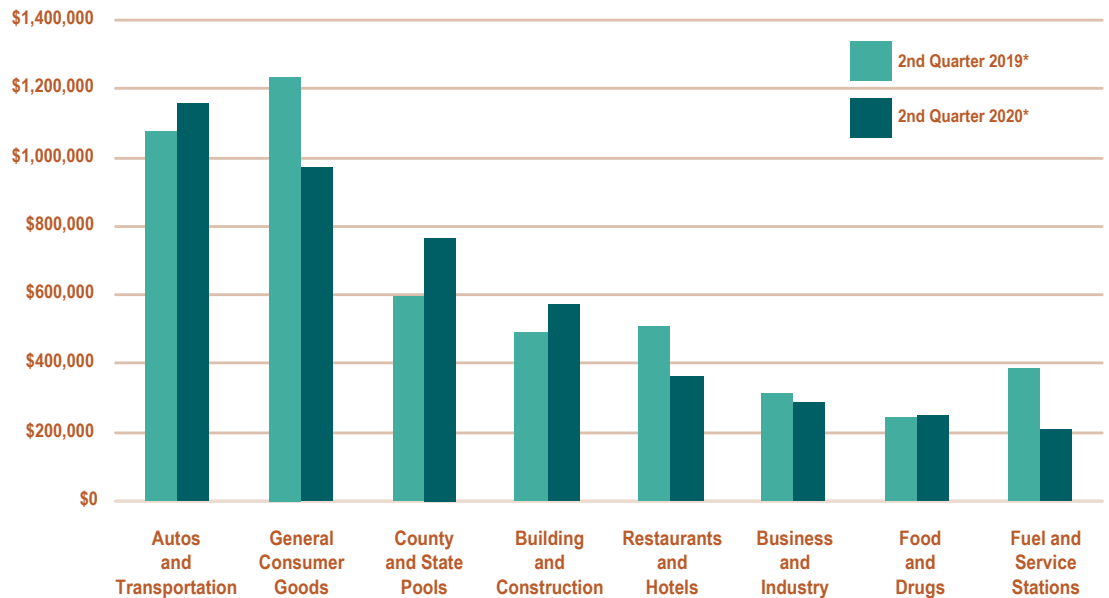
Statewide, the restaurants and hotel sector took the biggest hit, and the City realized significantly less activity in casual, quick service, and fast casual dining. Sales from medical/biotech firms also dropped.

Ongoing positive activity from state and county use tax pools and positive returns from building materials, and plumbing and electrical helped to offset the overall quarterly loss.

The City's Transaction and Use Tax Measure T generated 103.1% of the Bradley Burns amount in the second quarter 2020.

Net of aberrations, taxable sales for all of Riverside County declined 7.1% over the comparable time period; the Southern California region was down 18.0%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Abramovich Motors	Lowes
Albertsons	Pool & Electrical Products
Auto Gallery Mitsubishi Murrieta	Ralphs Marketplace
Best Buy	Robertsons Ready Mix
BMW of Murrieta	Sams Club w/ Fuel
Carmax	SCP Distributors
Driveline Used Cars	Shell/Arco AM PM
Financial Services Vehicle Trust	Stater Bros
Giant Rv	Target
Harbor Freight Tools	Temecula Motorsports
Home Depot	Volkswagen of Murrieta
Jerome's	Walmart
Loma Linda Mercantile	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$17,306,185	\$15,995,226
County Pool	2,655,249	2,452,072
State Pool	8,699	7,983
Gross Receipts	\$19,970,133	\$18,455,282
Measure T	\$4,138,913	\$18,475,063

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

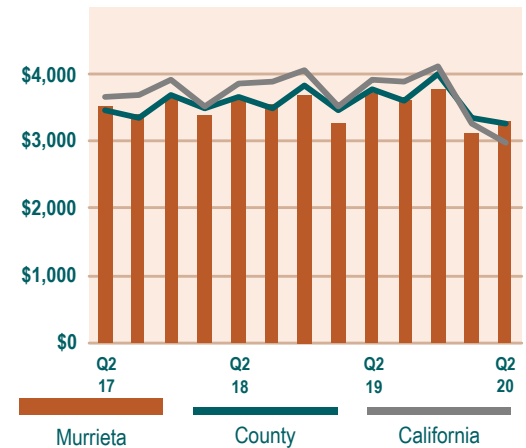
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

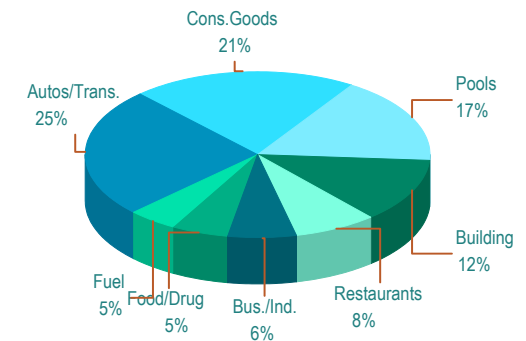
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Murrieta This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

MURRIETA TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Murrieta Q2 '20*	Change	County Change	HdL State Change
Automotive Supply Stores	64.8	18.0%	5.8%	-4.7%
Boats/Motorcycles	— CONFIDENTIAL —	—	44.5%	9.2%
Building Materials	363.1	22.4%	23.6%	7.0%
Casual Dining	87.7	-52.7%	-50.7%	-53.2%
Contractors	133.5	3.2%	-3.1%	-12.1%
Discount Dept Stores	— CONFIDENTIAL —	—	0.4%	-6.3%
Grocery Stores	160.0	-2.2%	6.1%	7.8%
Home Furnishings	120.0	-35.2%	-37.5%	-41.7%
Medical/Biotech	97.4	-12.7%	-3.1%	-15.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-4.2%	-15.8%
Plumbing/Electrical Supplies	62.6	22.4%	-7.0%	-15.8%
Quick-Service Restaurants	221.5	-8.3%	-8.7%	-22.0%
Service Stations	212.0	-45.4%	-40.6%	-45.2%
Trailers/RVs	— CONFIDENTIAL —	—	0.7%	7.0%
Used Automotive Dealers	348.5	-19.4%	-12.8%	-20.6%
Total All Accounts	3,809.6	-10.6%	-13.2%	-24.0%
County & State Pool Allocation	767.9	29.2%	37.7%	28.9%
Gross Receipts	4,577.5	-5.7%	-7.1%	-16.3%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.