

Q2 2013



City of Menifee Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2013)

Menifee In Brief

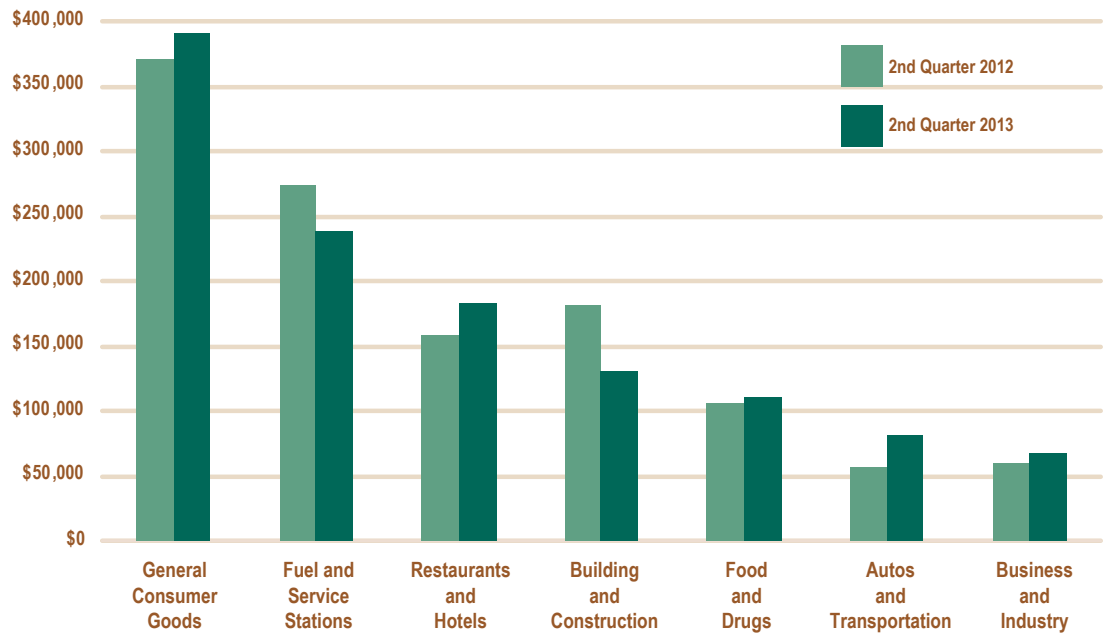
Receipts from second quarter sales were up 3.3% as compared to the like sales period one year earlier and up 5.4% when considering local point of sale activity only. Due to onetime payment aberrations that inflated year-ago receipts, unadjusted gross receipts were down 1.7%.

Bright spots included very strong results in the autos and transportation sector and solid increases in the restaurants and hotels category where new business additions added to quarterly totals. General consumer goods receipts reflected solid increases from the specialty store classification. Food and drug receipts were also up.

Much of the disparity between cash receipts and local economic activity stemmed from an accounting adjustment that temporarily boosted building and construction receipts a year ago and caused a comparative decline. Fuel and service station proceeds also dropped due to onetime reporting aberrations and easing gas prices.

Net of onetime accounting adjustments, all of Riverside County was up 7.3%; statewide sales grew 5.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ahern Rentals	Mt. San Jacinto Junior College
Apro	Ralphs
Arco AM PM	Richardsons Auto & RV Sales
Best Buy	Rite Aid
BJs Restaurant & Brewhouse	Ross
Chevron	Stater Bros
Circle K	Sun City Chevron
Euramax International	Target
Kohls	Tesoro Refining & Marketing
Living Spaces Furniture	Texas Roadhouse
Lowe's	TJ Maxx
Menifee Car Wash	Walgreens
Menifee Mart	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$1,208,327	\$1,203,682
County Pool	143,638	125,081
State Pool	1,213	827
Gross Receipts	\$1,353,177	\$1,329,590
Less Triple Flip*	\$(338,294)	\$(332,397)

*Reimbursed from county compensation fund

State Overall

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

The Remaining Fiscal Year

The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

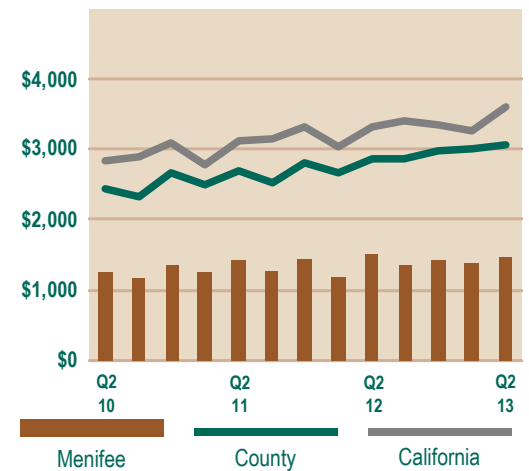
Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

ary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

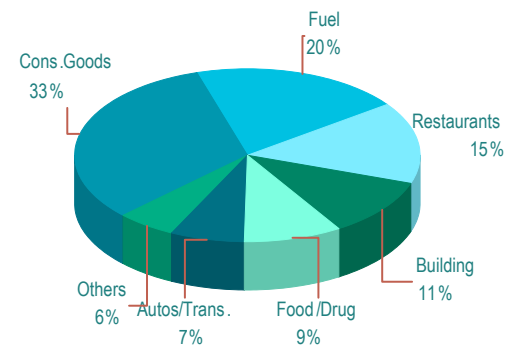
Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Menifee This Quarter



MENIFEE TOP 15 BUSINESS TYPES

Business Type	Menifee		County	HdL State
	Q2 '13*	Change	Change	Change
Contractors	48.4	20.7%	16.7%	5.6%
Department Stores	— CONFIDENTIAL —	—	-1.5%	0.2%
Discount Dept Stores	— CONFIDENTIAL —	—	1.7%	2.3%
Drug Stores	30.2	3.7%	4.2%	0.8%
Electronics/Appliance Stores	65.6	7.6%	10.6%	3.8%
Family Apparel	63.3	-0.3%	1.1%	4.8%
Grocery Stores Liquor	65.1	3.5%	3.4%	2.7%
Home Furnishings	— CONFIDENTIAL —	—	3.3%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	-9.1%	-4.5%
Repair Shop/Equip. Rentals	30.2	45.6%	-1.9%	8.8%
Restaurants Liquor	55.3	33.0%	9.8%	9.6%
Restaurants No Alcohol	109.0	11.5%	4.8%	5.9%
Service Stations	237.2	-13.0%	-6.4%	-5.7%
Specialty Stores	26.6	13.6%	0.4%	5.1%
Trailers/RVs	— CONFIDENTIAL —	—	26.5%	25.1%
Total All Accounts	\$1,203.7	-0.4%	7.1%	7.0%
County & State Pool Allocation	125.9	-13.1%		
Gross Receipts	\$1,329.6	-1.7%		<i>*In thousands</i>