

Q2 2014



City of Menifee Sales Tax Update

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

Menifee In Brief

Receipts for Menifee's April through June sales were 11.2% higher than the same quarter one year ago. Actual sales activity was up 8.9% when reporting aberrations were factored out.

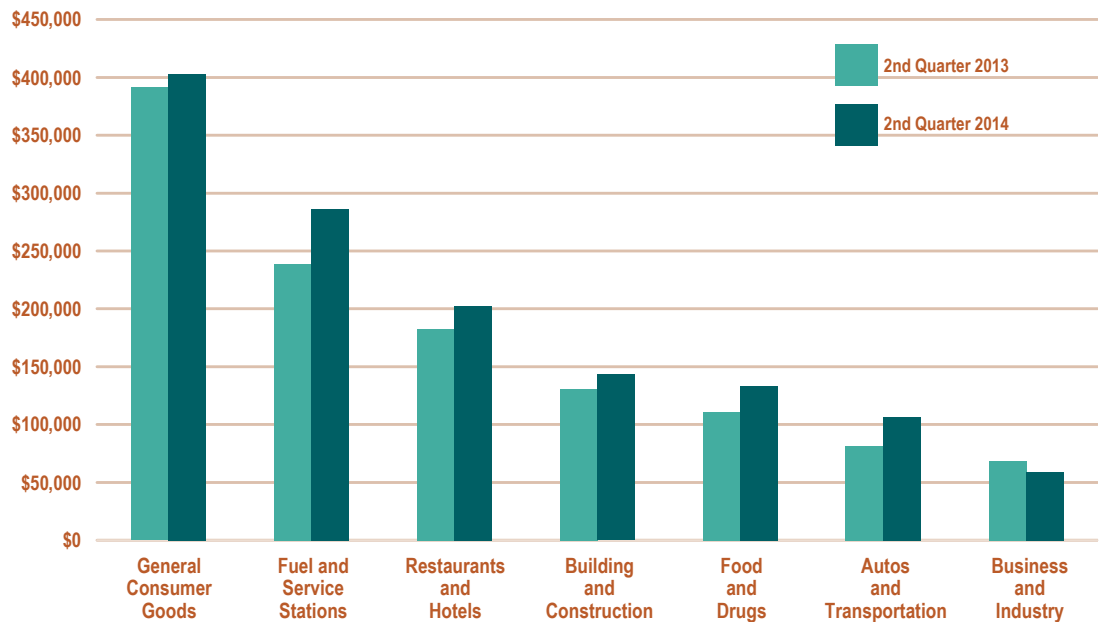
An abnormally low payment in the comparative quarter and audit adjustments in the current quarter inflated receipts from service stations, which also reported a gain in sales. Two new outlets and a couple of payment aberrations in the current quarter boosted food and drugs. Increased sales, a new outlet, and multiple late payments lifted autos and transportation.

Two new quick-service restaurants and broad based sales increases in all categories led to a strong quarter in restaurants. Stronger sales also lifted building and construction. New outlets in variety, specialty, and electronic stores led to most of the gain in general consumer goods. A payment aberration in the year ago quarter and lower sales caused a drop in business and industry.

The city's allocation from the countywide use tax pool increased 14.6% during the quarter.

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

Arco AM PM	Ralphs
Best Buy	Richardsons Auto & RV Sales
BJs Restaurant & Brewhouse	Rite Aid
Chevron	Ross
Circle K	Stater Bros
Euramax International	Sun City Chevron
Exxon	Target
Kohls	Tesoro Refining & Marketing
Living Spaces	Texas Roadhouse
Lowes	TJ Maxx
Menifee Car Wash	United Oil
Menifee Mart	Walgreens
Mt San Jacinto Junior College	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,203,682	\$1,333,713
County Pool	125,081	143,324
State Pool	827	1,004
Gross Receipts	\$1,329,590	\$1,478,041
Less Triple Flip*	\$(332,397)	\$(369,510)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of statewide 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.

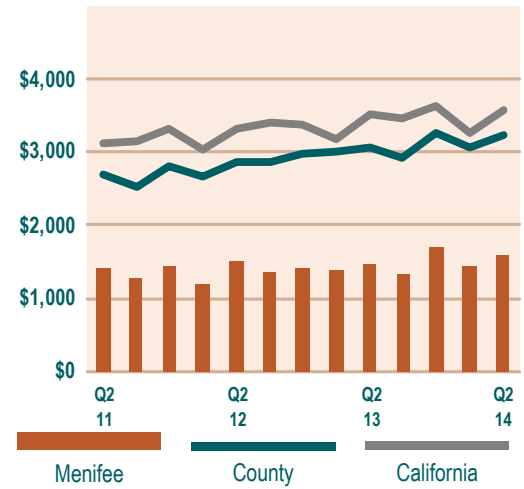
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

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.

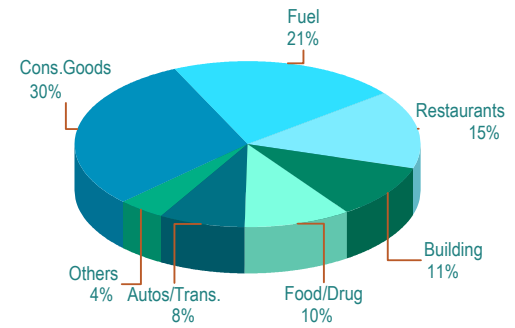
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Menifee This Quarter



MENIFEE TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Menifee Q2 '14*	Menifee Change	County Change	HdL State Change
Casual Dining	78.8	5.2%	1.4%	3.1%
Contractors	49.9	3.1%	17.4%	14.4%
Department Stores	— CONFIDENTIAL —	—	2.0%	1.2%
Discount Dept Stores	— CONFIDENTIAL —	—	3.1%	2.9%
Drug Stores	— CONFIDENTIAL —	—	13.6%	10.1%
Electronics/Appliance Stores	59.2	-9.8%	-4.2%	-0.9%
Family Apparel	55.6	-7.7%	12.4%	9.7%
Fast-Casual Restaurants	21.9	14.9%	13.0%	9.0%
Grocery Stores Liquor	76.1	16.9%	11.1%	5.7%
Home Furnishings	— CONFIDENTIAL —	—	4.8%	6.9%
Lumber/Building Materials	— CONFIDENTIAL —	—	10.3%	8.9%
Quick-Service Restaurants	96.6	13.1%	8.2%	6.7%
Service Stations	285.0	20.1%	12.1%	6.7%
Specialty Stores	30.0	12.6%	23.5%	8.0%
Trailers/RVs	— CONFIDENTIAL —	—	4.3%	10.5%
Total All Accounts	\$1,333.7	10.8%	7.2%	2.8%
County & State Pool Allocation	\$144.3	14.6%	10.9%	12.7%
Gross Receipts	\$1,478.0	11.2%	7.5%	3.9%