

Q3 2014



City of Menifee Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

Menifee In Brief

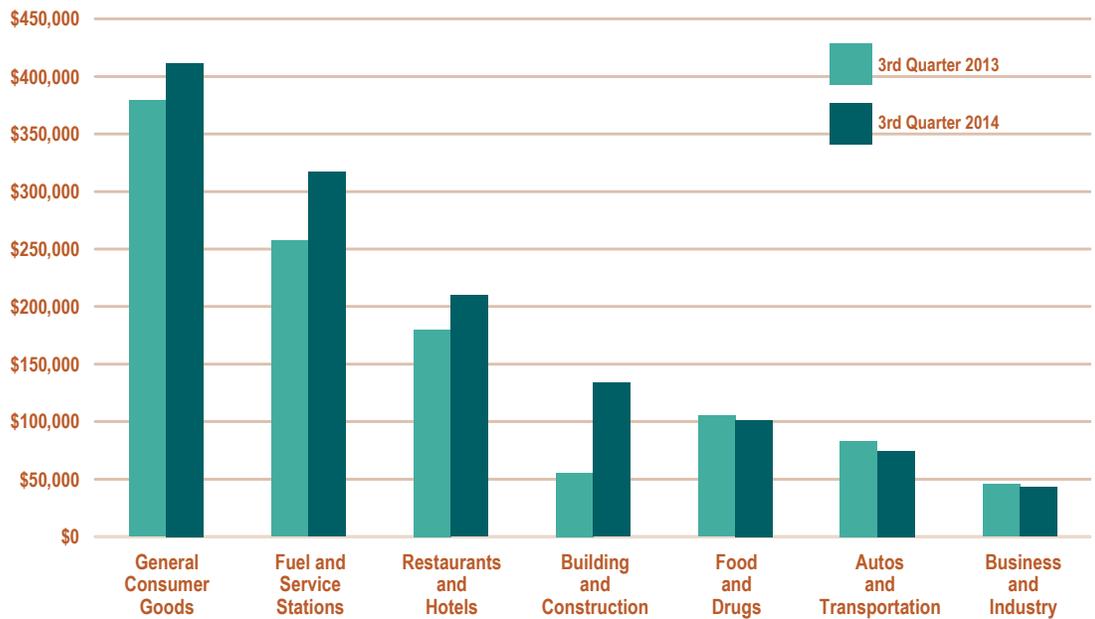
Receipts for Menifee's July through September sales were 18.0% higher than the same quarter one year ago, but a reporting problem that inflated postings from service stations skewed the data. Actual sales activity rose 9.8% when this and other aberrations were factored out.

New outlets contributed to the solid results from restaurants and some categories of general consumer goods, including specialty stores, but gains from existing retailers were also a factor. Last year's processing glitch that temporarily cut receipts overstated comparisons for the building and construction group; group totals were actually 4.8% higher. The allocation from the countywide use tax pool was 29.4% larger than the comparison quarter.

Receipt of a double payment in the year ago period depressed results from the automotive group while a delayed payment cut grocery-liquor returns. A prior closeout pared receipts from family apparel while postings declined from the business and industry group.

Net of onetime reporting events, taxable sales for all of Riverside County increased 6.9% over the same period; the Southern California region as a whole was up 5.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|----------------------------|-----------------------------|
| Arco AM PM | Richardsons Auto & RV Sales |
| Arco AM PM | Rite Aid |
| Best Buy | Ross |
| BJs Restaurant & Brewhouse | Stater Bros |
| Chevron | Sun City Chevron |
| Circle K | Target |
| Euramax International | Tesoro Refining & Marketing |
| Exxon | Texas Roadhouse |
| Kohls | TJ Maxx |
| Living Spaces | United Oil |
| Lowe's | Verizon Wireless |
| Menifee Car Wash | Walgreens |
| Petco | |

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

| | 2013-14 | 2014-15 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$2,309,473 | \$2,624,895 |
| County Pool | 244,664 | 298,022 |
| State Pool | 1,242 | 1,888 |
| Gross Receipts | \$2,555,379 | \$2,924,804 |
| Less Triple Flip* | \$ (638,845) | \$ (731,201) |

*Reimbursed from county compensation fund

California Overall

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

The Impact of Falling Gas Prices on Sales Tax

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

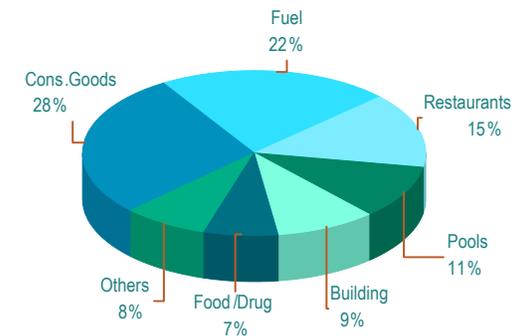
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Menifee This Quarter



MENIFEE TOP 15 BUSINESS TYPES

| Business Type | *In thousands | | | |
|---|------------------|----------------|---------------|------------------|
| | Menifee Q3 '14* | Menifee Change | County Change | HdL State Change |
| Casual Dining | 83.9 | 10.9% | 9.4% | 6.5% |
| Contractors | 47.5 | -4.1% | 11.0% | 11.5% |
| Department Stores | — CONFIDENTIAL — | — | 2.1% | 0.8% |
| Discount Dept Stores | — CONFIDENTIAL — | — | 2.0% | 2.5% |
| Drug Stores | — CONFIDENTIAL — | — | 1.3% | 0.9% |
| Electronics/Appliance Stores | 66.5 | 5.1% | 5.6% | 2.7% |
| Family Apparel | 56.7 | -7.5% | 14.6% | 6.0% |
| Grocery Stores Liquor | 48.6 | -18.6% | 15.9% | 8.4% |
| Home Furnishings | — CONFIDENTIAL — | — | 7.0% | 6.5% |
| Lumber/Building Materials | — CONFIDENTIAL — | — | 17.8% | 4.7% |
| Quick-Service Restaurants | 103.1 | 18.4% | 8.8% | 8.3% |
| Repair Shop/Equip. Rentals | 21.9 | -2.2% | -4.6% | 2.1% |
| Service Stations | 317.1 | 24.0% | 4.0% | 1.2% |
| Specialty Stores | 38.2 | 56.5% | 4.6% | 5.6% |
| Trailers/RVs | — CONFIDENTIAL — | — | -3.6% | 8.9% |
| Total All Accounts | \$1,291.2 | 16.8% | 7.1% | 5.5% |
| County & State Pool Allocation | \$155.6 | 29.7% | 18.9% | 10.2% |
| Gross Receipts | \$1,446.8 | 18.0% | 8.2% | 6.1% |