

Q1 2014



City of Menifee Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Menifee In Brief

Receipts for Menifee's January through March sales were 7.7% higher than the same quarter one year ago. Actual sales activity was up 4.8% when reporting aberrations were factored out.

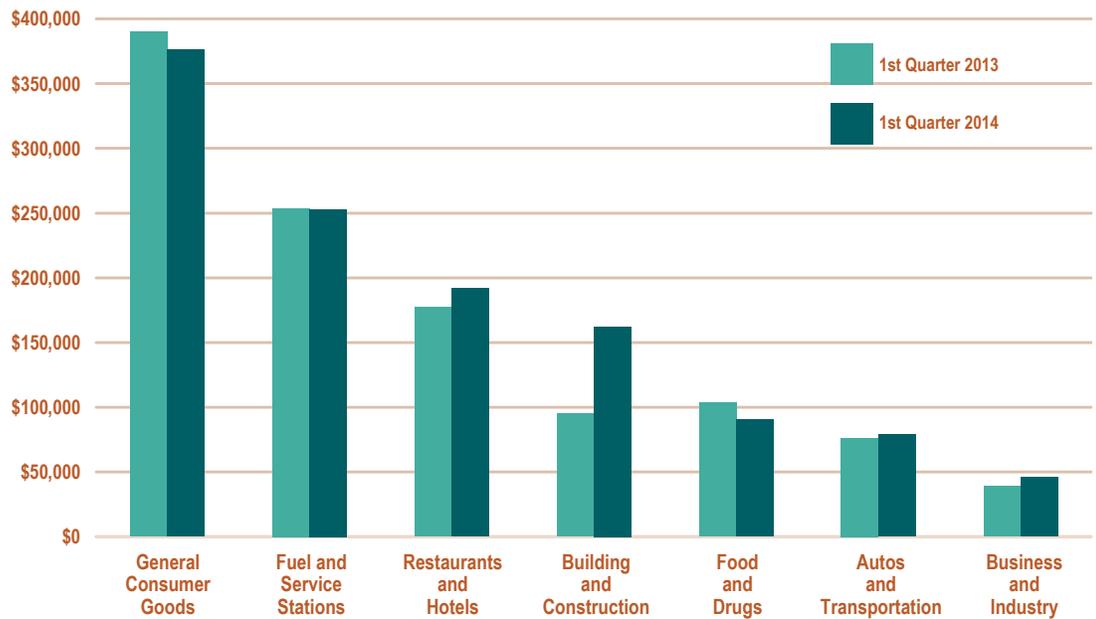
A payment deviation accounted for the spike in the building and construction group while higher returns in restaurants was commensurate with regional trends.

The actual growth in auto-related sectors was understated by a retroactive adjustment. An increase in the countywide use tax allocation pool, due to a year-ago deduction, contributed to higher gross receipts.

Post-holiday retail sales were lower than a year ago. A store close-out in family apparel offset the increase from a new opening in variety stores. Temporary reporting anomalies depressed results in food and drugs.

Adjusted for aberrations, taxable sales for all of Riverside County increased 5.7% over the comparable time period, while the Southern California region as a whole was up 3.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apro	Menifee Car Wash
Arco AM PM	Menifee Mart
Best Buy	Richardsons Auto & RV Sales
BJs Restaurant & Brewhouse	Ross
Chevron	Stater Bros
Circle K	Sun City Chevron
Euramax International	Target
Exxon	Tesoro Refining & Marketing
Giovannis Pizza & Pasta	Texas Roadhouse
Jack in the Box	TJ Maxx
Kohls	Verizon Wireless
Living Spaces	Walgreens
Lowes	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$4,589,469	\$4,895,965
County Pool	493,285	527,454
State Pool	2,429	3,294
Gross Receipts	\$5,085,183	\$5,426,713
Less Triple Flip*	\$(1,271,296)	\$(1,356,678)

*Reimbursed from county compensation fund

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Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

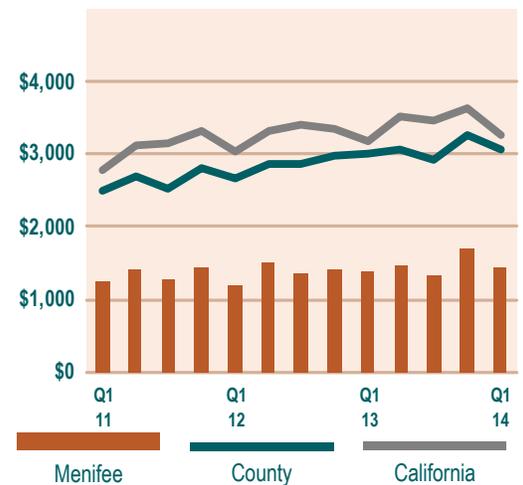
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



MENIFEE TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Menifee Q1 '14*	Menifee Change	County Change	HdL State Change
Casual Dining	80.0	10.2%	7.8%	7.1%
Contractors	36.3	22.0%	19.4%	14.7%
Department Stores	— CONFIDENTIAL —	—	-11.0%	-5.2%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.4%	-2.6%
Drug Stores	30.7	0.6%	-9.3%	-9.8%
Electronics/Appliance Stores	64.7	-2.9%	7.7%	2.4%
Family Apparel	52.8	-17.2%	0.2%	-3.2%
Fast-Casual Restaurants	20.8	9.9%	14.3%	10.6%
Grocery Stores Liquor	— CONFIDENTIAL —	—	-18.7%	-14.7%
Home Furnishings	— CONFIDENTIAL —	—	7.2%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	24.7%	16.8%
Quick-Service Restaurants	88.4	6.6%	6.0%	4.8%
Service Stations	251.5	-0.3%	-1.0%	-1.0%
Specialty Stores	26.8	2.9%	-18.6%	2.6%
Trailers/RVs	— CONFIDENTIAL —	—	14.9%	13.6%
Total All Accounts	\$1,198.3	5.6%	2.4%	3.2%
County & State Pool Allocation	\$129.0	33.4%	29.4%	7.7%
Gross Receipts	\$1,327.3	7.7%	4.5%	3.7%