

Q1
2015



City of Menifee Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

Menifee In Brief

Receipts for Menifee's January through March sales were 20.1% higher than the same quarter one year ago. Actual sales activity was up 14.7% when reporting aberrations were factored out.

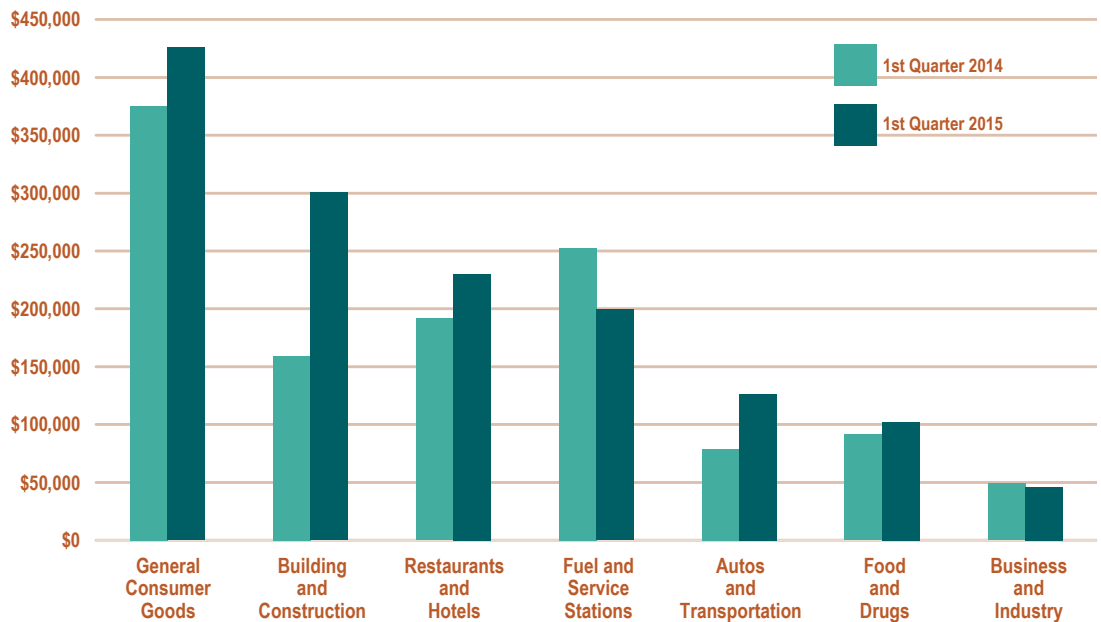
The city experienced a strong sales quarter in specialty stores and family apparel. A new addition helped boost receipts from electronics and appliance stores. Higher returns from restaurants and hotels contributed to the overall increase.

A business relocation caused a slight decrease in the business and industry sector. Lower fuel prices negatively impacted totals for service stations.

The city's allocation from the countywide use tax pool increased 33.4% over the comparison period.

Adjusted for aberrations, taxable sales for all of Riverside County increased 3.9% over the comparable time period, while the Southern California region as a whole was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Lowes
Arco AM PM	Menifee Car Wash
Best Buy	Petco
BJs Restaurant & Brewhouse	Richardsons Auto & RV Sales
Chevron	Ross
Circle K	Stater Bros
Euramax International	Sun City Chevron
Exxon	Target
Grove Lumber & Building Supplies	Tesoro Refining & Marketing
Jack in the Box	Texas Roadhouse
Kohls	TJ Maxx
Living Spaces	United Oil
	Walgreens

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$4,895,965	\$5,442,706
County Pool	527,454	570,785
State Pool	3,294	3,370
Gross Receipts	\$5,426,713	\$6,016,861
Less Triple Flip*	\$(1,356,678)	\$(1,504,215)

*Reimbursed from county compensation fund

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 ½% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

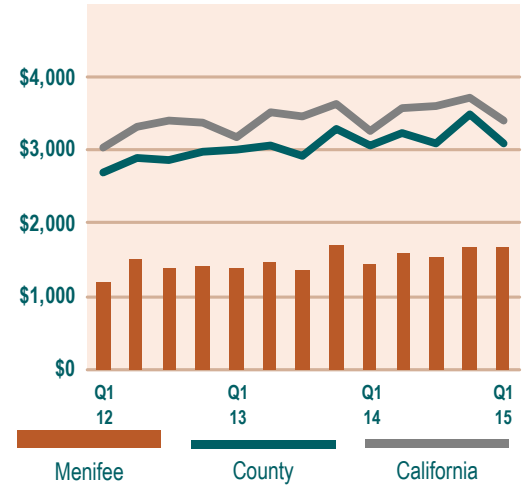
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

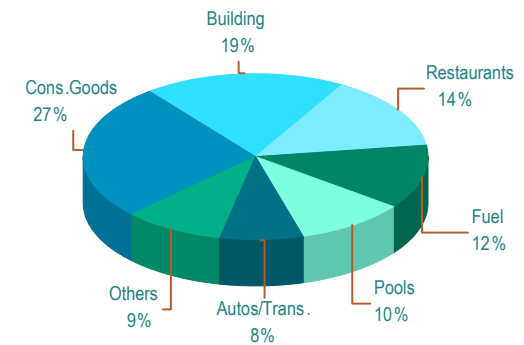
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Menifee This Quarter



MENIFEE TOP 15 BUSINESS TYPES

Business Type	Menifee		County	HdL State
	Q1 '15*	Change	Change	Change
Casual Dining	99.4	17.3%	4.7%	5.1%
Contractors	39.0	17.1%	4.9%	14.6%
Department Stores	— CONFIDENTIAL —	—	3.9%	1.9%
Discount Dept Stores	— CONFIDENTIAL —	—	2.1%	4.2%
Drug Stores	— CONFIDENTIAL —	—	10.8%	11.3%
Electronics/Appliance Stores	69.1	6.9%	-7.6%	-0.9%
Family Apparel	57.3	13.3%	14.7%	9.8%
Grocery Stores Liquor	— CONFIDENTIAL —	—	8.5%	5.0%
Home Furnishings	— CONFIDENTIAL —	—	6.0%	8.3%
Lumber/Building Materials	256.2	111.1%	-2.7%	-3.0%
Quick-Service Restaurants	110.3	24.8%	11.5%	10.9%
Repair Shop/Equip. Rentals	25.5	10.1%	22.7%	0.7%
Service Stations	198.4	-21.1%	-20.8%	-21.9%
Specialty Stores	39.3	50.9%	42.1%	10.1%
Trailers/RVs	— CONFIDENTIAL —	—	32.5%	25.2%
Total All Accounts	\$1,430.5	19.4%	2.7%	3.6%
County & State Pool Allocation	\$163.2	26.5%	8.8%	1.1%
Gross Receipts	\$1,593.7	20.1%	3.3%	3.3%