Q3 2014

Proud History Prosperous Tomorrow

City of Banning Sales Tax *Update*

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

Banning In Brief

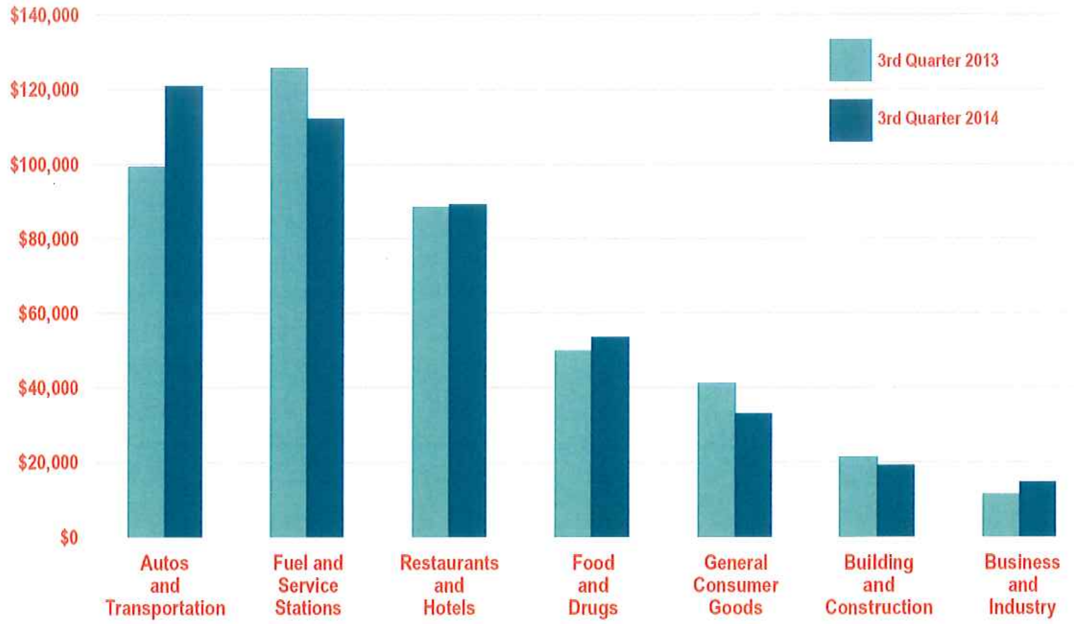
Receipts for Banning's July through September sales were 2.3% higher than the same quarter one year ago. Actual sales activity was up 4.6% when reporting aberrations were factored out.

Stellar sales from the autos and transportation group was primarily responsible for the overall quarterly increase. Business to business sales experienced robust growth while food and drugs showed improved returns. A 12.3% larger allocation from the countywide use tax pool further contributed to increase.

The gains were partially offset by reduced fuel consumption which negatively impacted service station results with a business closure depressing general consumer goods receipts.

Adjusted for aberrations, taxable sales for all of Riverside County increased 6.9% over the comparable time period, while the Southern California region as a whole was up 5.1%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

22nd Shell
Albertsons
Arco AM PM
Arco AM PM
Auto Source
Auto Zone
Banning RV Discount Center
Big Lots
Carls Jr
Coyne Powersports
Del Taco
Diamond Hills Auto Group
G & M Oil Arco
Highland Springs Mobil
IHOP
Jack in the Box
McDonalds
Rite Aid
Sizzler
Smart & Final
Snack Attack Chevron
Sun Lakes Country Club
Walgreens
Wausau Tile
Zenner Performance Meters

Revenue Comparison

Two Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	$884,049	$938,843
County Pool	93,716	106,357
State Pool	471	676
Gross Receipts	**$978,236**	**$1,045,877**
Less Triple Flip*	$(244,559)	$(261,469)

**Reimbursed from county compensation fund*

Published by HdL Companies in Winter 2015
www.hdlcompanies.com | 888.861.0220

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.

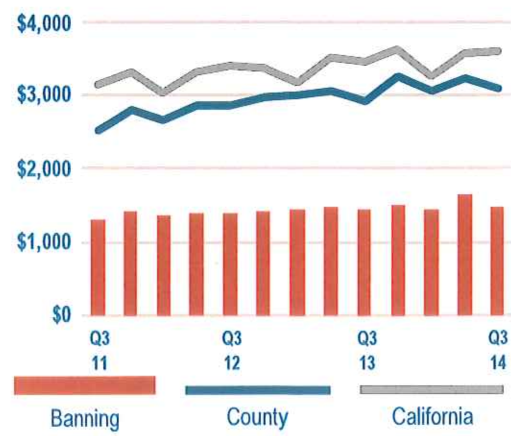
Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

Despite intensive price competition, tax gains from general consumer 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.

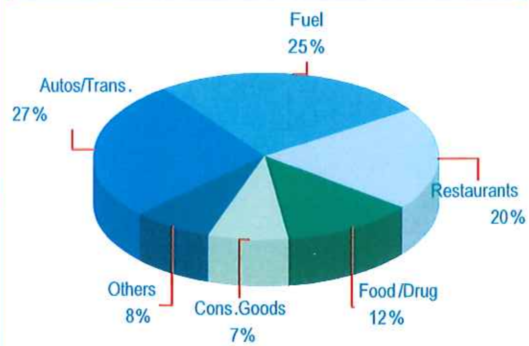
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, 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

Banning This Quarter



Banning Top 15 Business Types

Business Type	Banning Q3 '14	Banning Change	County Change	HdL State Change
Auto Repair Shops	9,692	35.2%	4.0%	6.5%
Automotive Supply Stores	11,985	-16.1%	2.3%	-0.1%
Boats/Motorcycles	— CONFIDENTIAL —		26.8%	9.5%
Casual Dining	35,294	-4.8%	8.3%	5.9%
Contractors	17,238	-12.6%	12.5%	14.1%
Drug Stores	— CONFIDENTIAL —		1.4%	1.0%
Grocery Stores Liquor	— CONFIDENTIAL —		15.9%	8.8%
Heavy Industrial	9,959	119.3%	29.7%	10.6%
Leisure/Entertainment	— CONFIDENTIAL —		-15.8%	-3.2%
Liquor Stores	9,318	2.8%	7.9%	8.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —		10.3%	8.0%
Quick-Service Restaurants	47,345	5.6%	9.1%	8.5%
Service Stations	111,309	-10.7%	4.0%	1.2%
Used Automotive Dealers	14,648	6.2%	28.0%	12.4%
Variety Stores	10,663	8.8%	14.7%	7.0%
Total All Accounts	**$442,653**	**1.2%**	**7.1%**	**5.5%**
County & State Pool Allocation	**$53,338**	**12.3%**	**18.9%**	**10.2%**
Gross Receipts	**$495,991**	**2.3%**	**8.2%**	**6.1%**