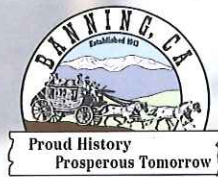


Q4 2014



City of Banning Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Banning In Brief

Receipts for Banning's October through December sales were 4.0% lower than the same quarter one year ago. Actual sales activity was up 0.3% when reporting aberrations were factored out.

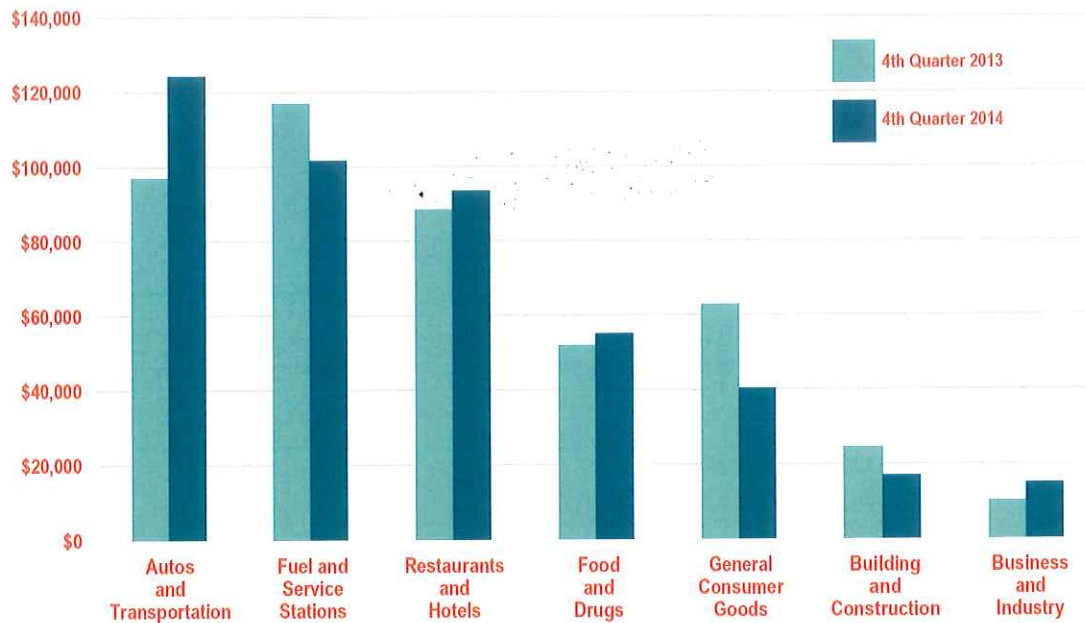
A business closeout reduced receipts from the general consumer goods sector. Lower fuel prices at the pump contributed to the drop in service station results.

Reporting problems temporarily depressed receipts from contractor supplies.

The losses were partially offset by strong sales and a onetime payment for the autos and transportation group.

Adjusted for aberrations, taxable sales for all of Riverside County increased 5.3% over the comparable time period, while the Southern California region as a whole was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,335,489	\$1,385,345
County Pool	144,070	141,624
State Pool	780	1,144
Gross Receipts	\$1,480,339	\$1,528,114
Less Triple Flip*	\$(370,085)	\$(382,028)

*Reimbursed from county compensation fund

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

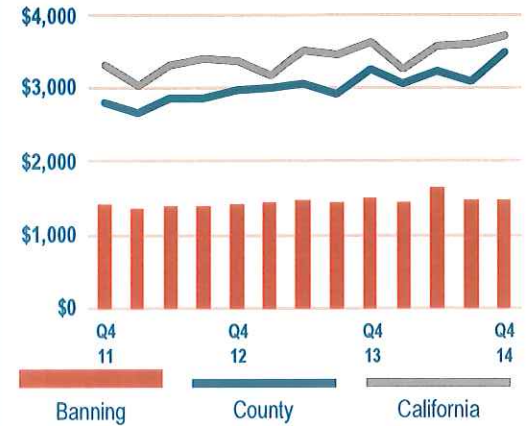
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

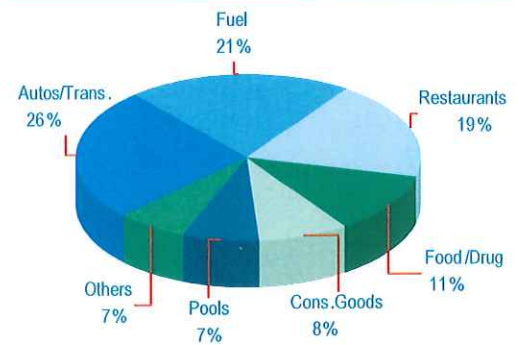
The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Banning This Quarter



BANNING TOP 15 BUSINESS TYPES

Business Type	Banning		County	HdL State
	Q4 '14	Change	Change	Change
Aircraft Sales & Service	—	CONFIDENTIAL	53.5%	10.5%
Auto Repair Shops	7,277	5.8%	8.2%	6.0%
Automotive Supply Stores	12,204	-5.3%	1.4%	2.0%
Boats/Motorcycles	—	CONFIDENTIAL	40.5%	12.8%
Casual Dining	38,537	10.1%	10.3%	5.8%
Contractors	15,262	-34.4%	6.7%	9.0%
Drug Stores	—	CONFIDENTIAL	-3.3%	-2.3%
Grocery Stores Liquor	—	CONFIDENTIAL	1.2%	3.5%
Heavy Industrial	8,271	349.0%	14.6%	14.4%
Liquor Stores	8,650	-2.5%	15.6%	8.2%
New Motor Vehicle Dealers	—	CONFIDENTIAL	10.6%	7.6%
Quick-Service Restaurants	48,016	2.4%	11.1%	7.5%
Service Stations	100,423	-13.1%	-13.3%	-10.5%
Used Automotive Dealers	12,629	14.9%	16.6%	12.4%
Variety Stores	14,941	7.2%	16.7%	3.6%
Total All Accounts	\$446,502	-1.1%	7.9%	3.8%
County & State Pool Allocation	\$35,736	-29.5%	-23.0%	4.7%
Gross Receipts	\$482,237	-4.0%	4.8%	3.9%