

Q1 2015



City of Banning Sales Tax Update

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

Banning In Brief

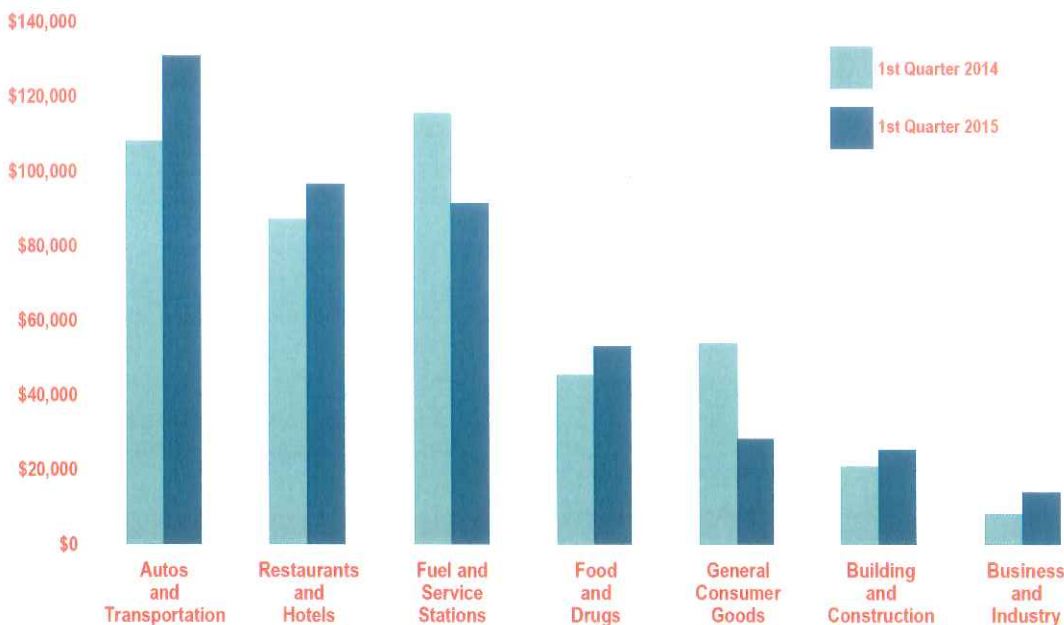
Receipts for Banning's January through March sales were 0.6% higher than the same quarter one year ago. However, a large retroactive payment in the current period from a contractor supplier inflated the results. Actual sales activity was down 5.4% when reporting aberrations were factored out.

For the second straight quarter, increased global production of oil was largely responsible for the declines in retail gas prices and thereby a drop in revenue from service stations. Recent business closures negatively impacted returns from general consumer goods retailers, especially variety stores.

The city experienced positive sales activity from multiple categories of autos and transportation including used auto dealers, trailer-RV merchants and auto repair shops. Continued consumer interest in eating out and the reopening of a casual dining establishment led to higher receipts from restaurants and helped offset some of the losses overall.

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

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

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,774,831	\$1,824,884
County Pool	190,981	191,764
State Pool	1,184	1,153
Gross Receipts	\$1,966,996	\$2,017,802
Less Triple Flip*	\$(491,749)	\$(504,450)

*Reimbursed from county compensation fund

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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.

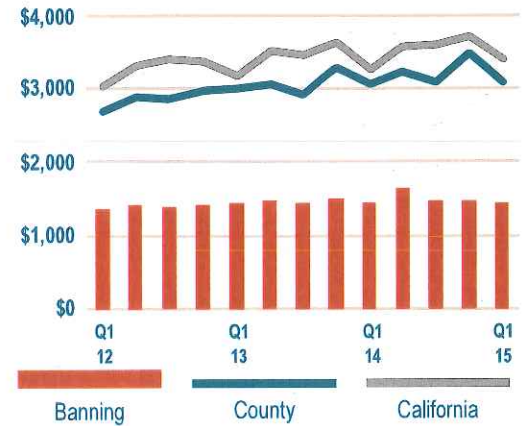
Tax on Jet Fuel

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.

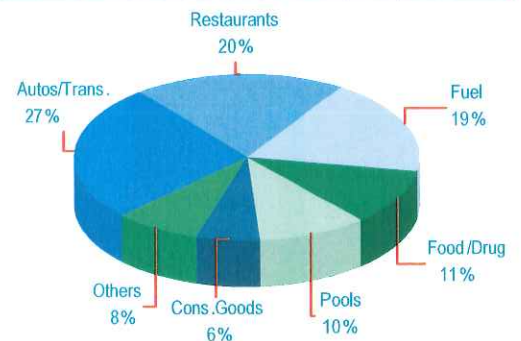
Tax on Marijuana

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
Banning This Quarter



BANNING TOP 15 BUSINESS TYPES

Business Type	Banning		County	HdL State
	Q1 '15	Change	Change	Change
Auto Repair Shops	9,707	17.2%	10.7%	7.1%
Automotive Supply Stores	13,800	-7.5%	4.8%	5.3%
Boats/Motorcycles	—	CONFIDENTIAL	6.7%	13.3%
Casual Dining	42,372	17.3%	4.8%	5.2%
Contractors	23,386	22.0%	4.3%	14.5%
Drug Stores	—	CONFIDENTIAL	10.8%	11.4%
Grocery Stores Liquor	—	CONFIDENTIAL	8.5%	5.1%
Heavy Industrial	9,180	8.5%	14.1%	13.0%
Liquor Stores	8,690	10.0%	7.0%	6.7%
New Motor Vehicle Dealers	—	CONFIDENTIAL	11.8%	11.1%
Quick-Service Restaurants	45,755	6.8%	11.5%	10.8%
Service Stations	89,308	-22.5%	-20.8%	-21.9%
Trailers/RVs	7,768	15.5%	32.5%	25.2%
Used Automotive Dealers	18,499	3.1%	7.7%	15.7%
Variety Stores	7,359	-30.7%	15.6%	15.6%
Total All Accounts	\$439,539	0.0%	2.7%	3.6%
County & State Pool Allocation	\$50,149	6.0%	8.8%	1.1%
Gross Receipts	\$489,688	0.6%	3.3%	3.3%