

Q3
2010



City of Murrieta Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2010)

Murrieta In Brief

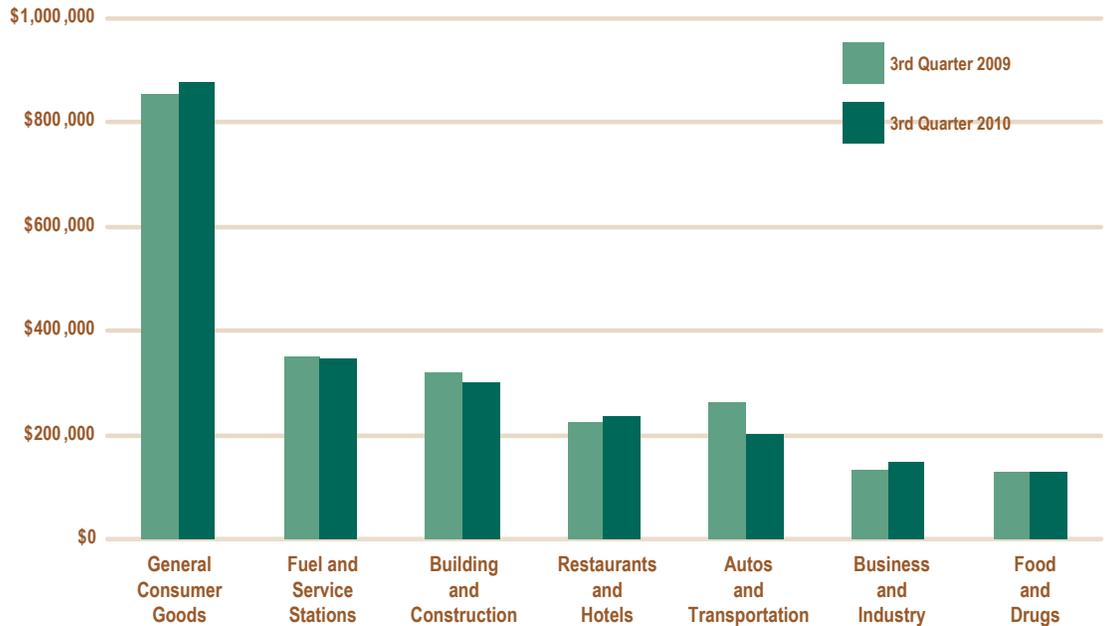
The allocation from Murrieta's July through September sales was 2.9% lower than the same quarter one year ago. Actual sales increased 1.5% with accounting aberrations factored out.

Recent dealership closures cut results from the automotive sector. Double-up payments that inflated last year's receipts overstated losses from lumber/building materials and offset service station gains from higher fuel prices. The smaller allocation from the countywide use tax pool was also a factor for the overall decline. The pool shrank 11.8% compared to the year-ago period.

Postings increased from some categories of general consumer goods. Prior additions contributed to gains from both restaurants-liquor and home furnishings. A onetime use tax payment provided a temporary boost to the business/ industry group. Sales of contractor supplies were up, but accounting anomalies exaggerated the increase.

Adjusted for reporting anomalies, sales and use tax receipts for all of Riverside County were 2.4% higher over the comparable time period. Southern California as a whole was up 4.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Murrieta
Albertsons	Volkswagen
Arco AM PM	New Helio
Best Buy	Ralphs
Chevron	Robertsons Ready Mix
Giant Inland Empire RV Center	Ross
Home Depot	Sams Club
Kalmia Gas Mart	Target
Kohls	Temecula Motorsports
Lowes	Tesoro Refining & Marketing
Mobil Oil	Tesoro West Coast
Mor Furniture for Less	Toys R Us
Murrieta Hot Springs Shell	Walmart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$4,380,498	\$4,535,253
County Pool	467,219	450,584
State Pool	4,326	3,175
Gross Receipts	\$4,852,043	\$4,989,012
Less Triple Flip*	\$(1,213,011)	\$(1,247,253)

*Reimbursed from county compensation fund

Statewide Overview

California's allocation of local Bradley-Burns revenues for sales occurring July through September were 4.7% higher than the third quarter of 2009 after accounting anomalies were factored out. Higher fuel prices and usage, business investment in new equipment and technology, and solid gains in some categories of consumer goods and restaurants all contributed to the increase. Receipts from food, drugs, and construction materials were slightly lower than last year's comparison quarter as was the allocation from autos which spiked during the "cash for clunkers" program of a year ago.

The Silicon Valley continues to lead the recovery with gains 2½ times higher than for California as a whole. Coastal region sales are generally outperforming the inland areas.

The Sales Tax Picture at Mid-Year

The first two quarters of 2010-11 produced statewide receipts that are 4.2% higher than the first two quarters of 2009-10 after accounting aberrations are excluded. However, the year-to-date total is still 17.2% lower than the totals for the first two quarters of pre-recession 2006-07.

Generally, prognostications for the remaining fiscal year are more upbeat than those of a few months ago and the fears of a double-dip recession have diminished. Stocks are at a two year high, preliminary data on fourth quarter business and consumer spending is better than anticipated and the recent tax-cuts and extension of unemployment benefits is hoped to boost the nation's economy by \$850 billion. In California, the growth in sales tax will be geographically uneven and tempered by high unemployment, mortgage foreclosures and fallout from the state's budget deficit.

Various segments of the sales tax base are projected as follows:

Autos/Transportation- Industry sales reports were inflated by non-taxable

fleet purchases earlier in the year but pent-up demand and easing credit are now producing solid consumer demand and new optimism. Positive gains are expected over the next few quarters but not at pre-recession growth rates.

Building/Construction- Unsold inventories, new tax exemptions for energy projects and modest public spending translate into flat or minimal tax growth for another year or more.

Business/Industry- Leaner and flush with cash, businesses are investing heavily in new technology, software and equipment. Sales tax gains will be agency and industry specific and primarily from suppliers of technology and companies serving the health, mining, petroleum and food industries.

Food/Drugs- some price increases but competition will keep tax revenues from this segment generally flat.

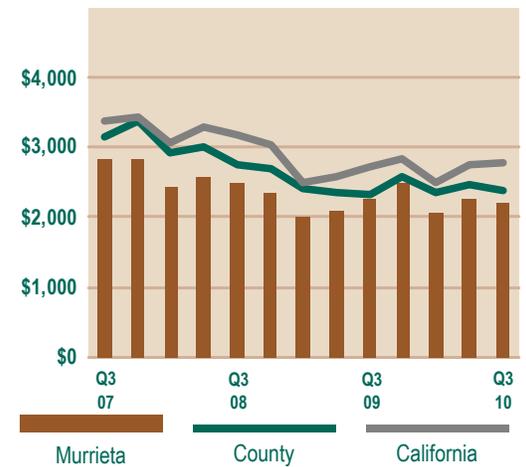
Fuel/Service Stations – Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

Consumer Goods- Stock market gains

are reviving luxury buyers while "frugality fatigue" is setting in for the rest of us. Holiday spending was stronger than expected for apparel, sporting goods, small electronics, and home furnishings. Analysts are skeptical about sustainability but generally project statewide growth of 3.0% to 3 ½%.

Restaurants/Hotels- Tourism and business travel is on the increase but price competition is expected to keep gains in sales tax revenue relatively modest.

SALES PER CAPITA



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q3 '10*	Change	Change	Change
Discount Dept Stores	\$357.6	4.7%	4.9%	5.6%
Service Stations	348.6	-1.0%	7.0%	12.1%
Lumber/Building Materials	159.6	-19.1%	-13.1%	-4.8%
Restaurants No Alcohol	152.6	8.7%	3.9%	5.1%
Home Furnishings	136.4	3.5%	5.0%	1.3%
Contractors	124.9	40.9%	-6.7%	-2.2%
Electronics/Appliance Stores	97.1	0.1%	9.6%	18.3%
Family Apparel	92.0	1.1%	12.5%	7.8%
Specialty Stores	90.3	-1.0%	-5.8%	-2.2%
Grocery Stores Liquor	70.7	-4.5%	-1.6%	1.2%
Restaurants Liquor	44.9	6.1%	5.3%	5.4%
Boats/Motorcycles	43.4	-7.3%	-17.0%	-13.7%
Trailers/RVs	43.2	-8.9%	-24.6%	0.1%
Sporting Goods/Bike Stores	40.2	1.9%	0.7%	-0.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		0.8%	-1.7%
Total All Accounts	\$2,246.3	-1.4%	3.6%	2.7%
County & State Pool Allocation	215.5	-16.0%		
Gross Receipts	\$2,461.8	-2.9%		<i>*In thousands</i>