

Q1 2006



City of Murrieta Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2006)

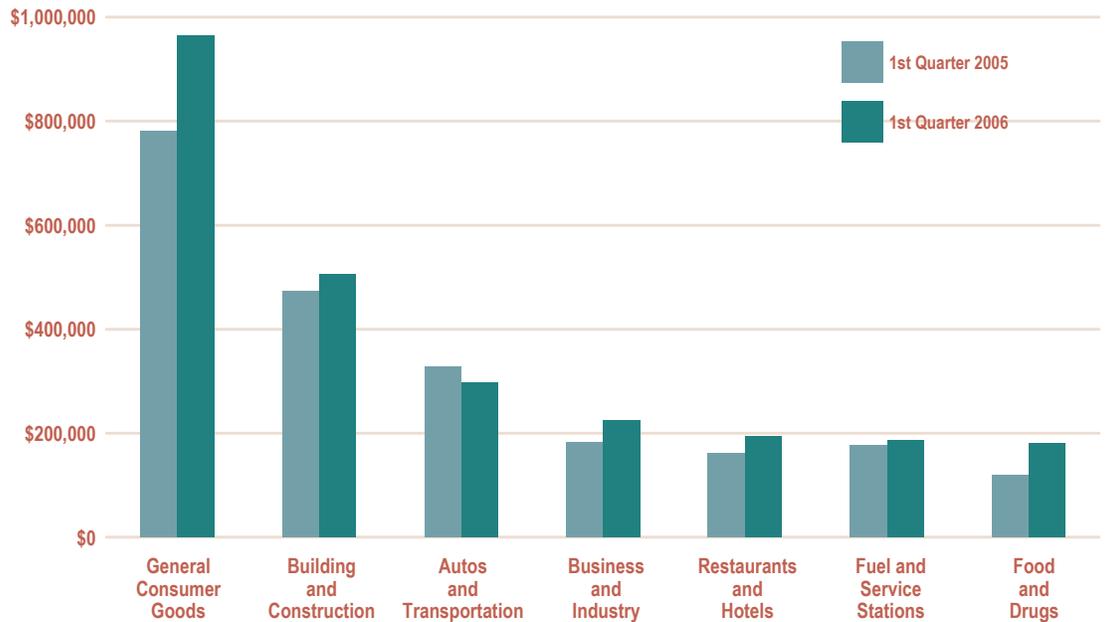
Murrieta In Brief

The allocation from the city's January through March sales was 16.0% higher than the same quarter one year ago. Actual sales activity was up 16.2% when reporting aberrations are factored out.

Increased sales in lumber/building materials, trailers/RVs, contractors, grocery stores with liquor, plumbing/electrical supplies, some categories of General Consumer Goods and higher fuel prices were partially responsible for the increase. Recent additions helped boost revenue from home furnishings, electronics/appliance stores and restaurants with no alcohol. Receipts from grocery stores with beer and wine were inflated by the double up of previously late payments. The gains were offset by decreased sales from new auto dealers and recent closeouts in office supplies/furniture. Onetime accounting adjustments were responsible for the decrease in specialty stores.

Adjusted for aberrations, taxable sales for all of Riverside County increased 7.9% over the comparable time period while Southern California as a whole was up 2.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

7 Eleven	Murrieta
Albertsons	Volkswagen
Ashley Furniture	Ralphs
Homestore	RCP Block & Brick
Best Buy	Robertsons Ready
Chevron USA	Mix
Comp USA	Sams Club
Ferguson	Shell/Texaco
Enterprises	Staples
Giant Inland Empire	Superior Ready Mix
RV Center	Concrete
Home Depot	Target
Hub Construction	Temecula
Specialties	Motorsports
Johnson Machinery	Wal Mart
Kohls	Wickes Furniture
Lowe's	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2004-05	2005-06
Point-of-Sale	\$9,190,791	\$10,627,534
County Pool	979,957	1,207,225
State Pool	11,620	17,339
Gross Receipts	\$10,182,367	\$11,852,098
Less Triple Flip*	\$(1,954,488)	\$(2,963,024)

*Reimbursed from county compensation fund

California Discontinues SSTP Analysis

The Board of Equalization has stopped work on their study of the Streamlined Sales Tax Project (SSTP) citing the legislatures and governor's refusal to provide funding as well as a general lack of interest among the legislators originally appointed to recommend a state position.

The SSTP was initiated in 2000 to develop uniform definitions and procedures among the 45 states that impose sales and use tax. It was hoped that simplification would convince Congress to allow taxation of remote sales (catalogs and internet) where the retailer has no physical presence in the taxing state. However, the project became dominated by smaller states with less complex tax bases and the guidelines that the SSTP eventually adopted require significant changes in the distribution of local revenues.

Although 18 states have implemented the SSTP guidelines to date, the project has not been successful in persuading Congress to change its position on taxing remote sales. Future monitoring of the STTP will be performed through California's membership in the Multi State Tax Commission (www.mtc.gov).

Sales Tax Fees to Increase

The 2006 Budget Act includes a revision in the state's charges for administration of local sales, use and transaction taxes.

The previous costs were based on actual workload with a cap when the calculations reached a specified portion of revenues collected. In 2005/2006, local governments paid \$32.2 million from fees of 0.77% on Bradley-Burns remittances and 1.18% of taxes remitted to transaction tax districts.

The new methodology eliminates the cap and breaks the state's costs into four categories: registrations, returns, audits and collections. The costs of

processing returns are allocated on the number of jurisdictions referenced on a tax return and the other three categories allocated on a ratio of revenues.

The state anticipates that the new calculations will net it an additional \$5.7 million per year from local governments. Deductions from Bradley-Burns remittances are expected to increase by one third but decline 12% for district transaction taxes.

For more information, see http://www.lao.ca.gov/analysis_2006/general_govt/gen_07_0860_an106.html.

Yacht Loophole Still at Anchor

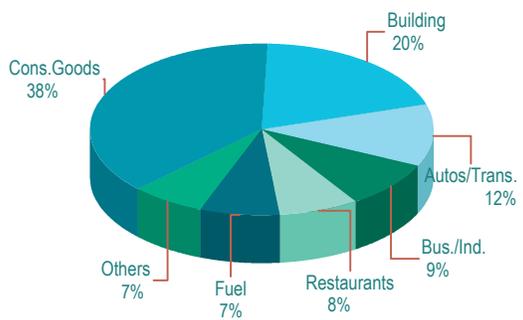
Until 2004, sales tax on vehicles, vessels and aircraft could be avoided by delivering and leaving the merchandise out of state for 90 days. SB 1100 increased the minimum period to 12 months but stipulated that the new requirement sunset on June 30, 2006.

The Budget Act of 2006 has extended the 12 month rule for an additional year and is projected to generate \$42 million more in state and local revenues primarily from RVs and boats.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q1 '06*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —			
Lumber/Building Materials	350.3	6.9%	14.8%	8.7%
Home Furnishings	202.1	158.4%	3.8%	3.4%
Service Stations	185.7	5.3%	31.0%	19.6%
Electronics/Appliance Stores	169.0	14.7%	14.7%	5.4%
Restaurants No Alcohol	145.5	17.1%	7.2%	5.0%
Trailers/RVs	119.1	23.7%	12.6%	0.5%
Contractors	101.6	4.1%	40.1%	22.2%
Grocery Stores Liquor	82.3	27.7%	4.3%	0.0%
Specialty Stores	78.2	-18.5%	0.0%	3.9%
Office Supplies/Furniture	76.2	48.7%	9.9%	3.4%
Family Apparel	67.0	8.5%	6.1%	5.1%
Grocery Stores Beer/Wine	55.7	128.6%	-6.2%	-0.7%
Plumbing/Electrical Supplies	51.0	10.8%	19.4%	17.7%
New Motor Vehicle Dealers	39.2	-32.2%	-1.1%	-0.7%
Total All Accounts	\$2,553.6	14.9%	10.1%	5.3%
County & State Pool Allocation	292.8	26.9%		
Gross Receipts	\$2,846.4	16.0%		<i>*In thousands</i>