

Q4

2006



City of Murrieta Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2006)

Murrieta In Brief

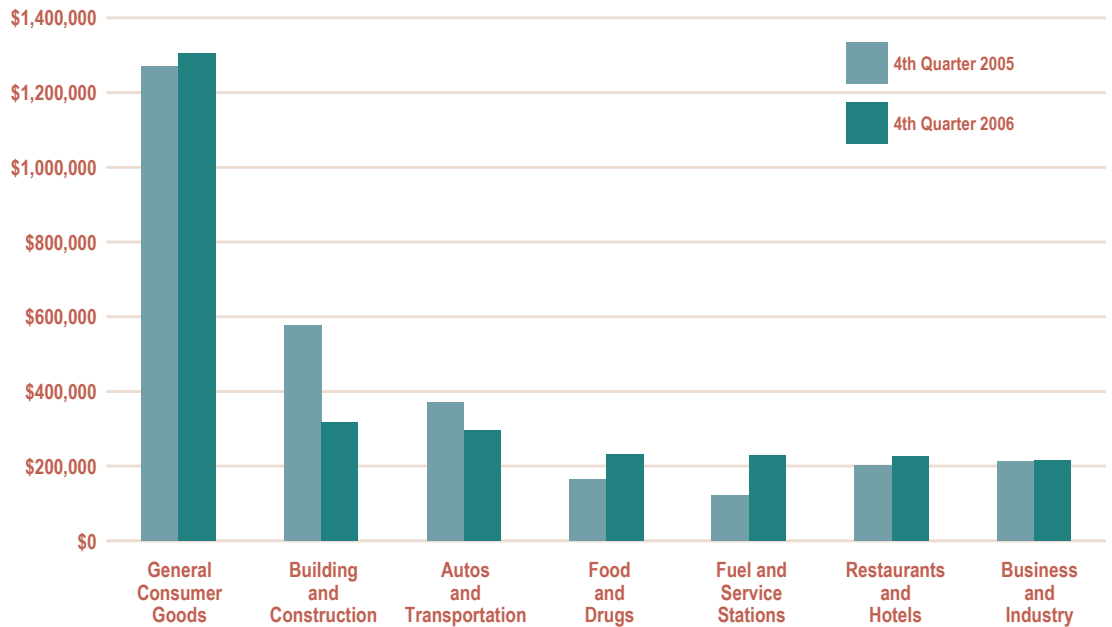
The allocation from Murrieta's October through December sales was 3.4% less than the same quarter one year ago.

A onetime accounting adjustment that temporarily reduced receipts from lumber/building materials was primarily responsible for the decrease. Decreased sales from contractors, trailers/RVs, boats/motorcycles and some categories of General Consumer Goods also contributed to the decrease.

The losses were offset by increased sales from family apparel, grocery stores with beer and wine and used auto dealers. Recent additions helped boost revenues from electronics/appliance stores, home furnishings, restaurants with no alcohol, specialty stores and grocery stores with liquor. A onetime accounting adjustment that temporarily decreased last year's allocation was responsible for the increase in service stations. The increase in office supplies/furniture was exaggerated by onetime payments.

Gross receipts for all of Riverside County decreased 1.2% over the comparable time period while Southern California as a whole was down 0.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Murrieta
Albertsons	Volkswagen
Arizona Tile	Ralphs
Best Buy	Robertsons Ready Mix
Chevron	Ross
Comp USA	Sams Club
Empty Heads	Shell/Texaco
Ferguson Enterprises	Staples
Giant Inland Empire RV Center	Superior Ready Mix Concrete
Home Depot	Target
Kohls	Temecula Motorsports
Lowes	Toys R Us
Murrieta Hot Springs Shell	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$8,073,940	\$8,691,354
County Pool	919,757	972,925
State Pool	12,044	12,909
Gross Receipts	\$9,005,741	\$9,677,187
Less Triple Flip*	\$(2,251,435)	\$(2,419,297)

*Reimbursed from county compensation fund

Statewide Sales Flatten

Fourth quarter sales were unchanged from the same period in 2005 with payment aberrations excluded. This represented the weakest holiday performance since 2001.

As indicated below, the slump impacted all business groups with growth weaker in 2006 than in 2005 in all but Autos & Transportation.

Fourth Quarter Sales Tax Comparison

Business Group	Q4 '06	Q4 '05
	v. Q4 '05	v. Q4 '04
Autos & Transportation	0.1%	-3.5%
Building & Construction	-5.7%	15.5%
Business & Industry	-0.5%	4.5%
Food & Drugs	2.9%	5.4%
Fuel & Service Stations	-1.6%	14.1%
General Consumer Goods	1.2%	5.0%
Restaurants & Hotels	4.1%	6.8%
HdL State	0.0%	5.3%

All figures adjusted for economic data.

The lackluster quarter was largely due to a 5.7% drop in Building & Construction receipts. The shift was a reflection of the slowdown in residential construction with the previously highest growth areas (Riverside/San Bernardino, San Joaquin Valley and the Sacramento region) experiencing the severest declines.

The dip in Business & Industry receipts was exaggerated by a \$ 1.9 M refund for taxes paid on financed purchases that later became uncollectible. Over 200 local jurisdictions in California had related negative adjustments to their fourth quarter allocations. Another factor in the decrease was a \$1M delayed return for a large business services outlet.

A temporary drop in the average price of gasoline and diesel fuel led to a 1.6% decline in receipts from Fuel & Service Stations. Pump prices have since rebounded significantly.

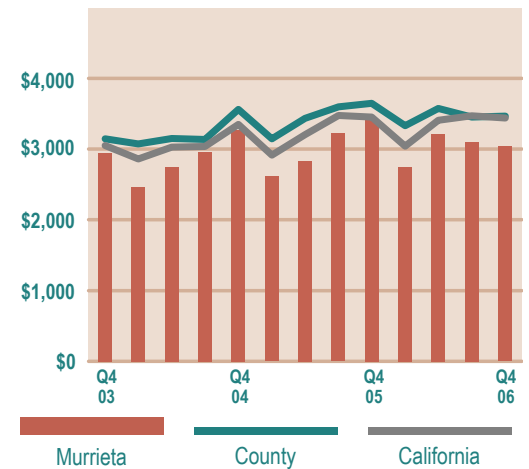
Revenues from restaurants & hotels, the quarter's bright spot, were up in nearly all areas of the state with the Bay Area and the Central Coast regions feasting best.

General Consumer Goods sales exceeded last year's by just 1.2% after a 5% gain the year before. One likely factor: an upsurge in gift card use. Since gift card sales are not taxed until the card is redeemed, more holiday related receipts are being delayed to the following quarter. Reports are that the dollar value of gift cards was up 35% compared to 2005 resulting in a surge in January 2007 sales that was 10.5% above the prior year.

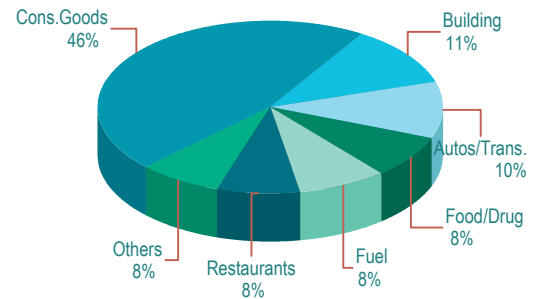
Fourth quarter Autos & Transportation results were virtually unchanged, an improvement from last year's 3.5% decline. Foreign brands continued to outperform domestics.

Economists are expressing concern about the impact of volatile energy prices, cutbacks in capital investment, and sub-prime lending on sales revenues through the remainder of calendar year 2007. However, the current consensus overall, is that statewide growth will be weaker than recent years but actual declines are not expected.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q4 '06*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —			
Electronics/Appliance Stores	248.2	9.5%	2.6%	-0.2%
Service Stations	228.6	87.7%	1.8%	2.9%
Home Furnishings	224.0	7.4%	-14.5%	-2.1%
Lumber/Building Materials	164.8	-52.4%	-34.4%	-31.9%
Restaurants No Alcohol	155.9	6.6%	5.0%	4.0%
Specialty Stores	150.0	10.2%	2.9%	1.4%
Grocery Stores Liquor	136.6	71.3%	8.1%	2.7%
Contractors	119.9	-34.1%	-3.7%	5.0%
Family Apparel	116.2	9.8%	7.7%	9.6%
Trailers/RVs	105.0	-25.5%	-7.2%	-10.6%
Grocery Stores Beer/Wine	57.1	19.1%	-17.3%	-8.0%
Boats/Motorcycles	50.5	-18.3%	5.6%	0.3%
Used Automotive Dealers	49.7	1.5%	-8.2%	-0.6%
Office Supplies/Furniture	47.9	5.6%	26.2%	6.1%
Total All Accounts	\$2,822.5	-3.3%	-1.1%	0.5%
County & State Pool Allocation	326.6	-3.9%		
Gross Receipts	\$3,149.1	-3.4%		

*In thousands