



City of Murrieta Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2007)

Murrieta In Brief

Receipts for sales occurring in the April to June quarter were 4.4% greater than the same period last year but aberrations skewed results. With anomalies removed, actual sales slowed 0.4%.

A onetime correction for a prior error in service stations accounted for the overall increase in gross receipts. Once adjusted for this aberration, fuel-related returns rose 1.1%. The opening of stores in the new Village Walk Plaza development boosted several categories including specialty stores, sporting good/bike stores, office supplies/furniture and restaurants with liquor.

Additional outlets bumped up grocery stores with beer/wine and partially offset same store losses in lumber building materials, plumbing/electrical supplies, home furnishings and electronics/appliance stores.

The rise in new autos was a result of a retroactive adjustment while payment deviations overstated the decline in restaurants with no liquor and grocery stores with liquor.

Sales for all of Riverside County declined 2.1% compared to a year ago while the Southern California region as a whole, dipped a mere 0.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Mobil Oil
Albertsons	Murrieta Volkswagen
Arco AM PM Mini Mart	Paradise Watersports
Ashley Furniture	Pool & Electrical Products
Best Buy	Ralphs
Cal Oaks Shell	Robertsons Ready Mix
Carriage Mitsubishi/Suzuki	Sams Club
Chevron	Superior Ready Mix Concrete
Ferguson Enterprises	Target
Giant Inland Empire RV Center	Temecula Motorsports
Home Depot	Toys R Us
Kohls	Wal Mart
Lowes	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$2,989,124	\$3,128,463
County Pool	330,124	338,919
State Pool	4,090	2,966
Gross Receipts	\$3,323,338	\$3,470,348
Less Triple Flip*	\$(830,835)	\$(867,587)

*Reimbursed from county compensation fund

SALES TAX, HOUSING AND THE GLOOMY ECONOMY

The combination of declining home sales and prices, foreclosures and tightening credit have created new challenges for local officials in forecasting the impact on sales tax revenues.

Generally, the side effects are expected to be less than the real estate downturn of the 1990s which was accompanied by a national recession, high unemployment and escalating inflation.

Despite layoffs in real estate and home construction, unemployment in California remains relatively low. The weak U.S. dollar has resulted in growing export activity and tourism, and business investment in new technology continues. The impact on sales tax should be more regional and industry specific than in previous down cycles.

Regional

Areas that have enjoyed the highest growth rates in recent years are most likely to exhibit the smallest gains and possibly some revenue declines.

At the peak of the housing boom in 2005, over 10% of the country's disposable income came from home equity loans. The reversal in home values should reduce spending in the Sacramento and Central Valleys, Inland Empire, and some portions of San Diego and the Central Coast.

The San Francisco Bay area and Silicon Valley are benefiting from a strong rebound in the technology sectors and rising tourism, and are expected to out-perform the rest of the state. The experience of other communities will be largely determined by the makeup of their specific tax bases.

Sales Tax by Characteristic

Communities that derive a high percentage of their sales tax revenues from building materials or home improvement merchandise could be impacted more than others as demand and prices drop through 2008. Although auto sales are more brand and dealer specific, this group as a whole,

is expected to continue a downward pattern through spring.

Statewide, sales of general consumer goods including apparel and soft goods are expected to grow 4%, although big ticket items such as furniture and appliances may exhibit regional declines. Department stores and discounters in lower income areas may also be flat or slightly down.

Tax generation from restaurants, service stations, and grocers should continue to show moderate growth. Barring an international crisis, business investment in equipment and technology is expected to remain solid, although potential water and labor shortages may reduce agricultural spending.

The Bottom Line

The more media coverage of the housing correction, the more conservative consumers and businesses become in their spending plans. How this plays out will probably not be known until the March 2008 sales tax receipts.

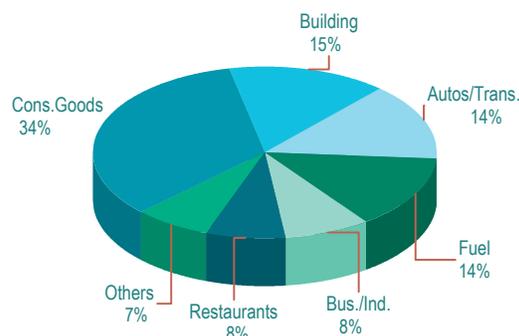
At this point in time however, economists predict slow or modest sales growth but not significant decreases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q2 '07*	Change	Change	Change
Service Stations	\$435.3	79.6%	5.3%	4.2%
Discount Dept Stores	— CONFIDENTIAL —		-2.1%	1.0%
Lumber/Building Materials	287.3	-2.1%	-14.6%	-6.8%
Home Furnishings	209.6	-15.0%	-8.5%	-3.3%
Restaurants No Alcohol	160.7	-5.8%	7.2%	5.8%
Electronics/Appliance Stores	142.8	-16.7%	0.8%	1.3%
Specialty Stores	135.4	16.8%	0.7%	1.2%
Trailers/RVs	130.9	15.7%	3.2%	-7.4%
Contractors	125.8	-18.9%	4.8%	0.6%
Grocery Stores Liquor	109.3	-24.1%	-11.0%	-5.5%
Boats/Motorcycles	87.2	6.1%	-18.3%	-7.5%
Family Apparel	82.3	-1.2%	10.2%	3.0%
Grocery Stores Beer/Wine	78.9	30.0%	14.1%	1.4%
New Motor Vehicle Dealers	71.8	5.2%	-12.0%	-7.3%
Used Automotive Dealers	63.6	-7.3%	-15.5%	-4.7%
Total All Accounts	\$3,128.5	4.7%	-1.9%	0.3%
County & State Pool Allocation	341.9	2.3%		
Gross Receipts	\$3,470.3	4.4%		<i>*In thousands</i>