

Q3 2007



City of Murrieta Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2007)

Murrieta In Brief

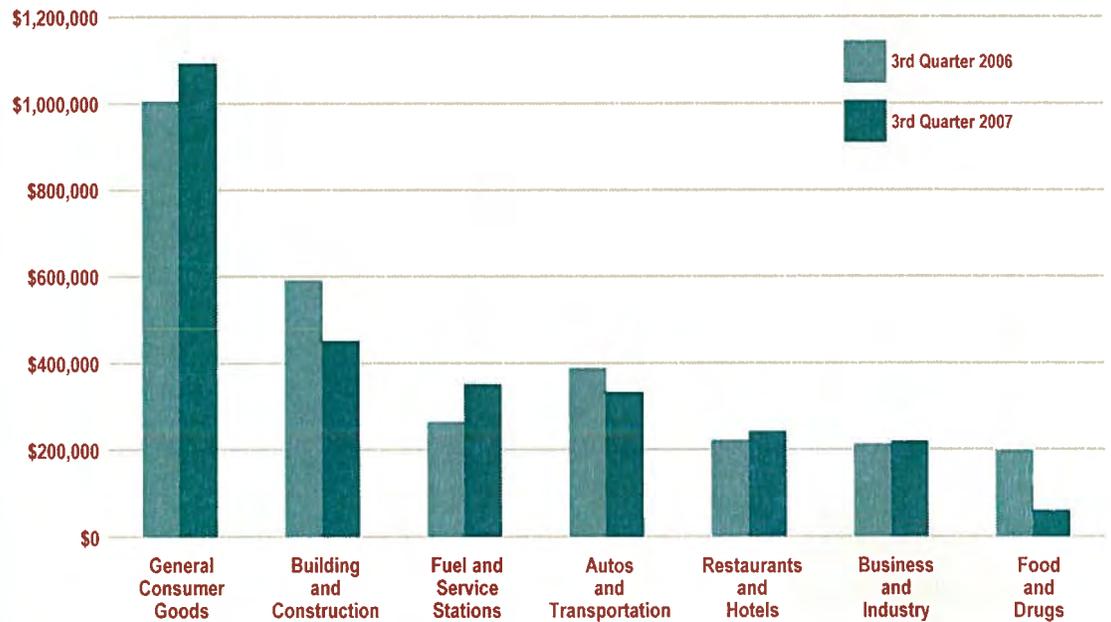
Third quarter receipts were 5.4% below the same period on year ago.

Lumber/building materials, contractor, plumbing/electrical supplies, new motor vehicle dealer, boats/motorcycles, trailers/RV dealers, home furnishings, electronics/appliance, and grocery store with liquor categories were down as they were in most areas of the state. Temporary reporting aberrations exaggerated grocery with liquor and lumber/building materials declines.

New business openings added to sporting goods/bike shop and office supplies/furniture store gains. Retroactive recovery of past-due amounts boosted the restaurants with liquor comparison. Payment aberrations, not increased sales caused the service station increase.

The Southern California region decreased 3.4% with onetime accounting adjustments excluded; the state slipped 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Murrieta Hot Springs Shell
Arco AM PM Mini Mart	Murrieta Volkswagen
Ashley Furniture	Ralphs
Best Buy	Robertsons Ready Mix
Cal Oaks Shell	Ross
Carriage Mitsubishi/Suzuki	Sams Club
Chevron	Staples
Dixieline Lumber	Target
Ferguson Enterprises	Temecula Motorsports
Giant Inland Empire RV Center	Tesoro Refining & Marketing
Home Depot	Toys R Us
Kohls	Wal Mart
Lowes	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$5,868,840	\$5,876,648
County Pool	651,555	625,879
State Pool	7,642	768
Gross Receipts	\$6,528,037	\$6,503,295
Less Triple Flip*	\$(1,632,009)	\$(1,625,824)

*Reimbursed from county compensation fund

NOTES

STATEWIDE SALES DECLINE

Further Decreases Anticipated

After adjusting for accounting aberrations, taxable sales during July through September declined 2.9% from the same quarter of 2006.

The inland regions of the state tended to trail the coastal regions. Only San Francisco and portions of the Silicon Valley posted significant gains.

Autos, lumber/building materials and fuel were the primary losers. New car receipts were down 13.3% from the same quarter one year ago while revenues from building/construction materials dropped 11.3% and fuel 6.1%.

Back to school shopping helped boost family apparel sales for the quarter but the gains were largely offset by a drop in demand for home furnishings and large appliances. Receipts from general consumer goods as a whole ended at only 0.7% higher than the third quarter of 2006.

Restaurants continued to be a source of growth exhibiting a 3.9% statewide gain over third quarter 2006 with even larger increases in the North Bay and Central Coast regions.

Capital purchases by manufacturers/exporters of high tech equipment and supplies also helped offset other declines with gains in business-to-business sales second only to the restaurant group.

The Remaining Fiscal Year ...

Fourth quarter sales results will not be available until the end of March. Preliminary reports indicate that holiday spending on general consumer goods increased only 2.2% over 2006 but that redemption of gift cards could boost January-February sales more than had been anticipated. Further declines are expected in receipts from auto sales.

Prognostications for 2008 are blurred by wide differences among economists on how much further the economy will drop and on when a recovery might begin. However, most agree that the

decline will continue through at least the first half of 2008 and possibly longer.

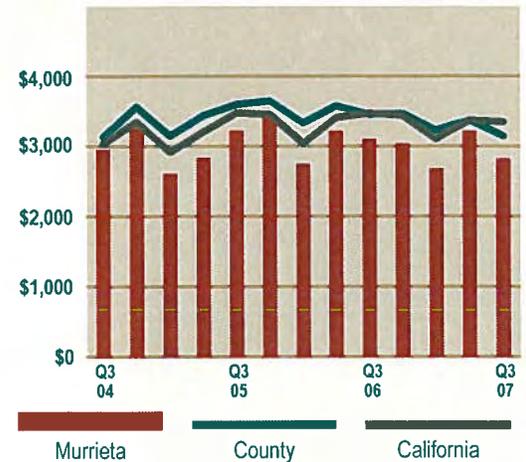
Analysts predict a further decrease of 6.0% to 6.5% in auto sales in 2008 with a recovery in that sector not expected until mid 2009. Sales of general consumer goods are expected to grow only 2.0% to 2.5% overall with solid gains in electronics but weakening performance for apparel, mid-tier department stores and mall shops.

Building and construction material sales could bottom out in mid 2008 with commercial, utility and public construction projects helping offset further losses from housing construction setbacks. However, a recovery in housing construction will be more gradual and is not expected until late 2010 or 2011.

Business-to-business sales may level off in the first half of 2008 but, as long as export demand stays strong, analysts do not expect actual declines.

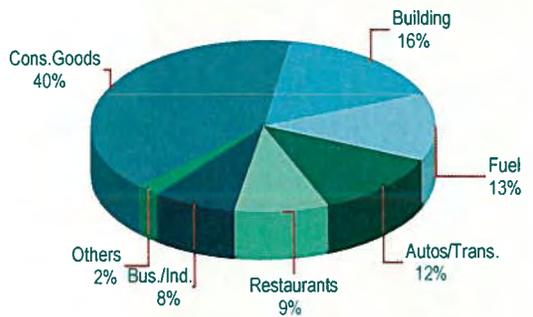
As always, the trends for an individual jurisdiction will vary with the specific make-up of its tax base.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q3 '07*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —			
Service Stations	351.4	33.4%	-2.4%	-5.8%
Lumber/Building Materials	276.3	-26.2%	-29.6%	-27.4%
Home Furnishings	197.6	-6.9%	-7.0%	-1.8%
Restaurants No Alcohol	144.3	-5.6%	-3.6%	3.4%
Electronics/Appliance Stores	130.9	-26.1%	-19.2%	-0.4%
Specialty Stores	121.6	3.0%	31.4%	6.3%
Contractors	116.3	-20.3%	-16.4%	-11.2%
Trailers/RVs	95.0	-13.7%	9.6%	-11.0%
Family Apparel	82.1	9.2%	6.4%	7.6%
New Motor Vehicle Dealers	81.3	-23.3%	-16.4%	-12.6%
Restaurants Liquor	65.1	71.1%	17.0%	13.1%
Plumbing/Electrical Supplies	53.9	-18.6%	-20.6%	-5.2%
Sporting Goods/Bike Stores	52.1	123.6%	2.3%	3.4%
Office Supplies/Furniture	50.5	22.7%	5.0%	1.0%
Total All Accounts	\$2,748.2	-4.6%	-5.3%	-2.2%
County & State Pool Allocation	284.8	-12.4%		
Gross Receipts	\$3,032.9	-5.4%		<i>*In thousands</i>