

Q4 2007



City of Murrieta Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2007)

Murrieta In Brief

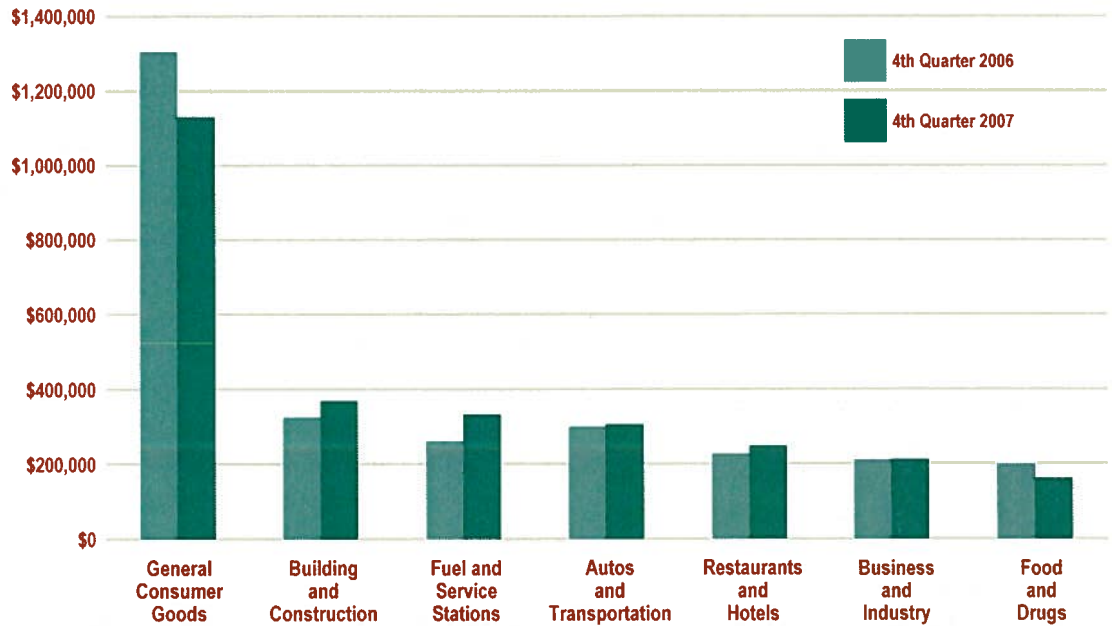
Receipts from Murrieta's fourth quarter sales were 6.4% lower than the same period of 2006.

Correction of a processing error that inflated third quarter receipts exaggerated the General Consumer Goods group decline: actual group totals slipped 7.7% as holiday shoppers pared spending as they did in most areas of the state. Business closures clipped results from electronics/appliance stores and home furnishings. Comparisons for restaurants with no alcohol and grocery stores selling liquor were distorted by double-up payments in the prior period. Retroactive adjustments temporarily shrank the size of the countywide sales tax pool by 39.0%.

Losses were partially offset by higher prices at the pump and gains from recent additions to restaurants serving liquor and sporting goods/bike shops. Payment anomalies inflated returns from new car dealers and plumbing/electrical supplies. An accounting deviation that depressed last year's revenue from lumber/building materials overstated Building and Construction group results; the group actually dropped 14.4%.

Taxable sales for all of Riverside County declined 5.8%, Southern California as a whole was down 3.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Mobil Oil
Albertsons	Murrieta Hot Springs Shell
Arco AM PM Mini Mart	Murrieta Volkswagen
Ashley Furniture	Ralphs
Best Buy	Robertsons Ready Mix
Carriage Mitsubishi/Suzuki	Ross
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

Three Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$8,691,354	\$8,631,944
County Pool	972,925	814,340
State Pool	12,909	3,925
Gross Receipts	\$9,677,187	\$9,450,209
Less Triple Flip*	\$(2,419,297)	\$(2,362,552)

*Reimbursed from county compensation fund

NOTES

DECLINES IN SALES TAX REVENUES CONTINUE

Statewide tax receipts suggest lumps of coal were found in some Christmas stockings during 2007's fourth quarter. The 2.6% decline from the same period last year was the third straight quarter that receipts were either flat or down from prior year sales activity.

The 11.2% drop in auto sales and 14.5% decline in building/construction materials were somewhat more severe than anticipated. The surprise was a 3% drop in holiday spending on general consumer goods with traditional department stores, furniture and specialty stores exhibiting the greatest decreases.

The losses were partially offset by gains from rising prices of food, drugs and fuel. Restaurants managed to eek out a 1.1% increase over the previous holiday quarter although that gain may have also been price related.

Only Imperial, San Luis Obispo and Ventura Counties showed significant fourth quarter increases. But all benefited from onetime payments related to various energy projects or other anomalies, not gains in on-going sales activities.

Initial reports indicate that June receipts for sales occurring January through March of 2008 will be equally dismal. Auto dealers are expected to report another quarter of double digit declines and revenues from apparel, general consumer goods and restaurants are projected to be flat or down. The recent spike in fuel prices should produce another positive quarter for fuel and service stations and partially offset losses in other categories.

WILL 2008-2009 BE BETTER?

Economists expect sales declines to bottom out during the next fiscal year but are uncertain on when in that year the bottom will hit.

Auto manufacturers are hoping for a slight rebound in sales in the second

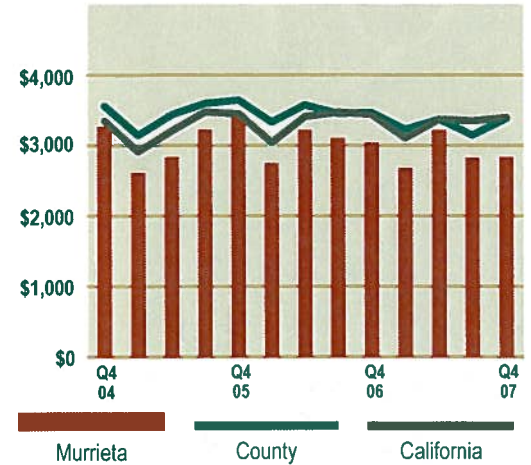
half of 2008 and into 2009. A recovery in public, commercial and industrial construction could stabilize tax receipts from building supplies although a rebound from housing related goods and materials is not expected until 2010 or 2011.

The instability of world crude oil prices, reduced refinery production and the coming seasonal driving peak are expected to maintain high fuel prices through late summer and compete with other consumer spending.

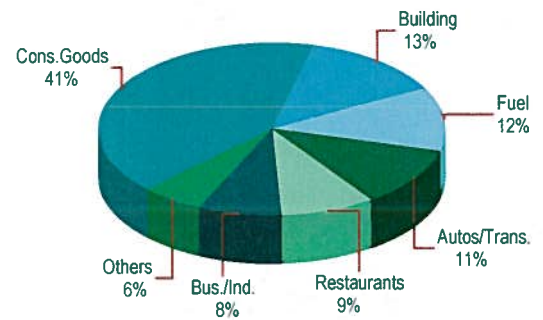
The weak dollar should continue to lure international consumers to key tourist destinations. However, capital investment by U.S. exporters is beginning to show signs of leveling off.

In late May, taxpayers will begin receiving payments of \$300 to \$1200 plus \$300 for each qualifying child through the Economic Stimulus Act of 2008. \$12.4 billion is expected to flow to California though various surveys indicate that much of the rebates will go to pay off debt or increase savings. Most analysts see the package as inducing a minor but only temporary spike in third quarter sales tax receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Murrieta This Quarter



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q4 '07*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —			
Service Stations	332.4	27.7%	21.0%	25.5%
Lumber/Building Materials	213.7	29.7%	7.8%	14.5%
Electronics/Appliance Stores	190.5	-23.3%	-6.8%	1.7%
Home Furnishings	180.8	-19.3%	-8.9%	-7.9%
Specialty Stores	144.4	-3.7%	-2.7%	-1.7%
Restaurants No Alcohol	142.6	-5.1%	-1.9%	2.3%
Family Apparel	111.0	-4.5%	13.3%	0.6%
Grocery Stores Liquor	105.6	-28.0%	4.7%	7.2%
Contractors	100.3	-16.4%	-24.7%	-15.4%
Trailers/RVs	81.8	-23.9%	-29.0%	-28.6%
New Motor Vehicle Dealers	77.3	81.6%	-9.2%	-9.9%
Plumbing/Electrical Supplies	50.9	68.9%	-20.7%	-2.3%
Restaurants Liquor	50.4	48.4%	5.1%	8.7%
Sporting Goods/Bike Stores	49.0	38.8%	-0.5%	-0.8%
Total All Accounts	\$2,755.3	-2.4%	1.5%	0.2%
County & State Pool Allocation	191.6	-41.3%		
Gross Receipts	\$2,946.9	-6.4%		<i>*In thousands</i>