

Q4 2008



City of Murrieta Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

Murrieta In Brief

Fourth quarter receipts were 11.5% lower than one year ago but reporting aberrations skewed the data. With anomalies excluded, actual results fell 14.8%.

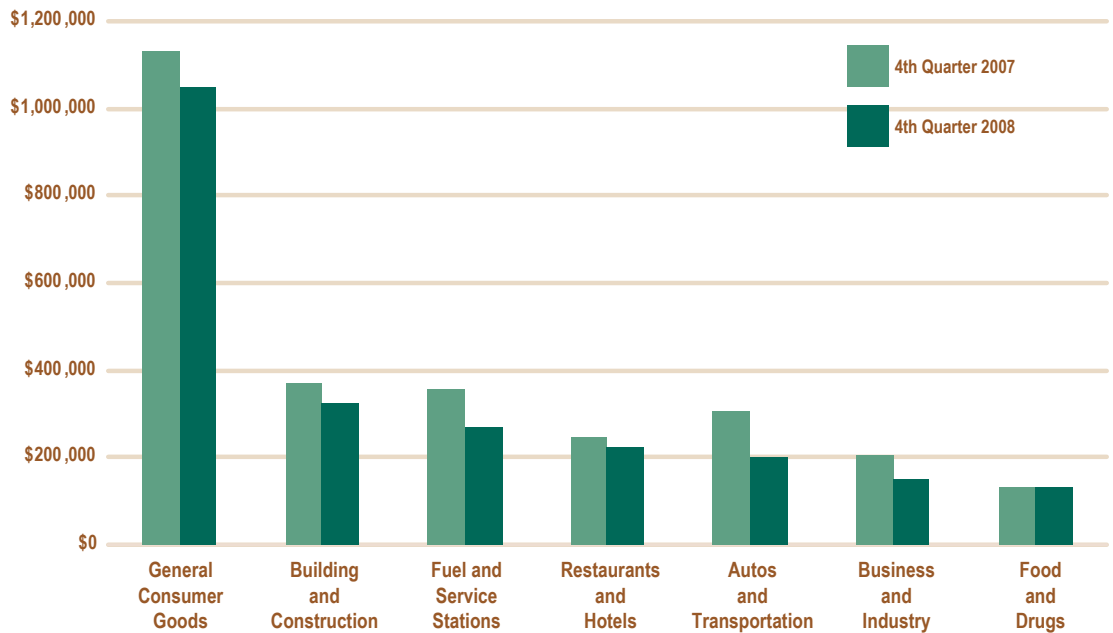
New motor vehicle dealer contractor, lumber and building materials, farm and construction equipment, garden and agricultural supplies, trailers/RVs and home furnishings categories continued their recent downtrends. Service station results dropped as gasoline prices retreated from record highs. Other General Consumer Goods business types, including family apparel, specialty stores and sporting goods/bike stores, posted lower results.

Onetime accounting adjustments last year exaggerated the restaurants with beer/wine and restaurants with liquor decreases.

The discount department store gain was due to a payment aberration that temporarily reduced year-ago receipts. Actual sales were down.

Adjusted for accounting adjustments all of Riverside County was down 16.8%; statewide receipts declined 13.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Murrieta Hot Springs
Albertsons	Shell
Best Buy	Murrieta Volkswagen
Carriage Mitsubishi/Suzuki	New Helio
Chevron	Ralphs
Ferguson	Robertsons Ready Mix
Enterprises	Ross
Giant Inland Empire RV Center	Sams Club
Home Depot	Stater Bros
Kohls	Target
Leisure Living Superstore	Temecula Motorsports
Lowes	Tesoro Refining & Marketing
Murrieta 76 Station	Toys R Us
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$8,631,944	\$7,443,449
County Pool	814,340	846,724
State Pool	3,925	3,137
Gross Receipts	\$9,450,209	\$8,293,310
Less Triple Flip*	\$(2,362,552)	\$(2,073,328)

*Reimbursed from county compensation fund

Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot.

This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

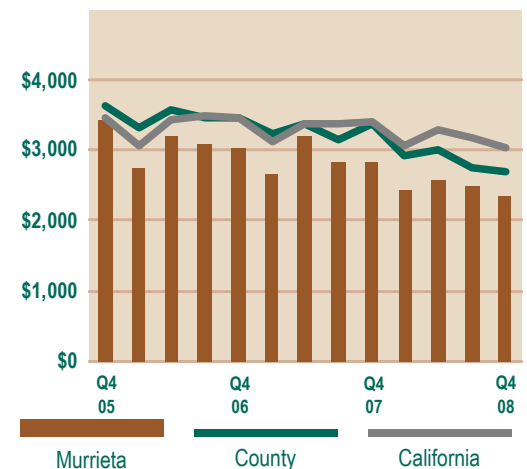
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

SALES PER CAPITA



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q4 '08*	Change	Change	Change
Discount Dept Stores	\$402.0	19.1%	-29.6%	-3.3%
Service Stations	269.2	-25.1%	-27.6%	-23.2%
Lumber/Building Materials	186.3	-12.8%	-13.0%	-12.5%
Electronics/Appliance Stores	151.7	-20.3%	-10.4%	-13.0%
Restaurants No Alcohol	139.2	-2.4%	-0.4%	1.3%
Home Furnishings	135.2	-25.2%	-24.6%	-20.2%
Specialty Stores	122.3	-15.4%	-8.1%	-7.2%
Contractors	98.5	-5.5%	-24.5%	-15.5%
Family Apparel	93.5	-15.7%	-6.4%	-3.6%
Grocery Stores Liquor	73.0	-5.8%	-1.2%	0.7%
New Motor Vehicle Dealers	45.4	-41.3%	-43.9%	-36.5%
Sporting Goods/Bike Stores	44.8	-8.6%	-9.8%	-6.5%
Restaurants Liquor	43.0	-14.7%	-3.7%	-1.0%
Boats/Motorcycles	42.0	1.1%	-39.0%	-29.7%
Plumbing/Electrical Supplies	36.8	-27.6%	-23.6%	-7.2%
Total All Accounts	\$2,348.5	-14.8%	-18.0%	-10.3%
County & State Pool Allocation	260.9	36.2%		
Gross Receipts	\$2,609.4	-11.5%		<i>*In thousands</i>