

Q2 2011



City of Murrieta Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

Murrieta In Brief

Gross receipts for Murrieta's April through June sales were 7.7% higher than the same quarter one year ago. Actual sales increased 6.6% after accounting anomalies were excluded.

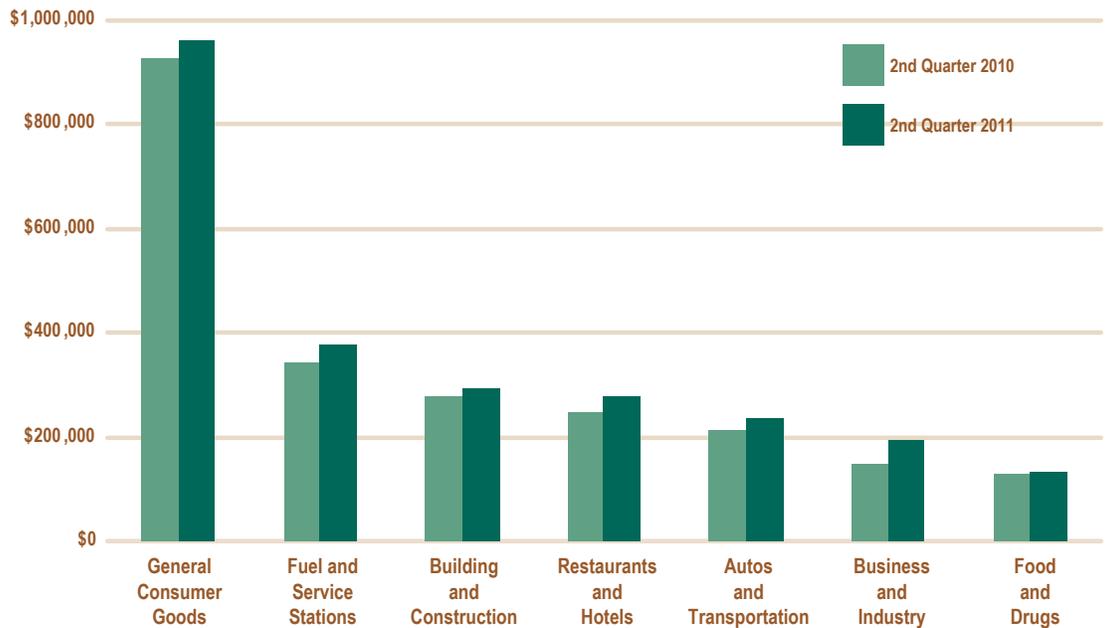
The city experienced increased sales from several categories of general consumer goods and some classifications in the food & drugs and automotive groups. Recently added businesses helped boost revenues from restaurants with no alcohol and those with beer & wine service.

Proceeds from plumbing/electrical supplies were buoyed by receipt of funds from ongoing point of sale audit activity. Higher fuel prices lifted returns from fuel sellers in various business categories, but a delayed allocation pared service station gains. An accounting deviation temporarily inflated results from office supplies/furniture.

Lower sales, business closeouts and payment anomalies combined to trim receipts from lumber/building materials, contractor supplies and home furnishings.

Adjusted for aberrations, taxable sales for all of Riverside County rose 11.5% over the same time period; Southern California as a whole was up 8.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Murrieta Hot Springs Shell
Arco AM PM	Murrieta Volkswagen
Best Buy	Mustang Mechanical
Chevron	Ralphs
Giant Inland Empire RV Center	Ross
Helio Power	Sams Club
Home Depot	Staples
Kalmia Gas Mart	Target
Kohls	Temecula Motorsports
Las Alamos Shell	Toys R Us
Lowe's	USA Gasoline
Mobil Oil	Walmart
Mor Furniture for Less	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$2,288,936	\$2,471,226
County Pool	237,033	251,707
State Pool	1,218	(1,445)
Gross Receipts	\$2,527,187	\$2,721,487
Less Triple Flip*	\$(631,797)	\$(680,372)

*Reimbursed from county compensation fund

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

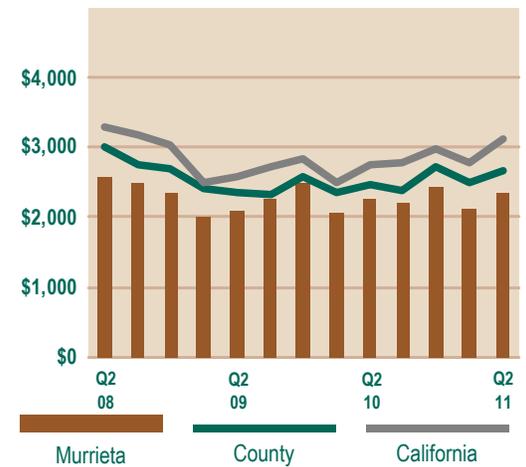
which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

SALES PER CAPITA



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q2 '11*	Change	Change	Change
Boats/Motorcycles	60.7	11.6%	2.3%	3.4%
Contractors	84.2	-10.1%	24.7%	7.6%
Discount Dept Stores	406.2	5.7%	5.0%	6.4%
Electronics/Appliance Stores	107.6	7.4%	8.3%	3.2%
Family Apparel	96.0	6.8%	11.0%	12.7%
Grocery Stores Liquor	65.1	-3.7%	-4.0%	1.4%
Home Furnishings	132.5	-6.1%	6.2%	3.6%
Lumber/Building Materials	156.3	-5.8%	1.7%	1.4%
Office Supplies/Furniture	73.4	108.8%	126.7%	43.0%
Plumbing/Electrical Supplies	49.9	231.2%	17.8%	4.3%
Restaurants Beer And Wine	48.6	36.6%	5.3%	-1.0%
Restaurants No Alcohol	173.0	9.7%	1.8%	3.4%
Service Stations	377.8	10.3%	25.4%	31.0%
Specialty Stores	96.3	6.1%	30.0%	5.2%
Sporting Goods/Bike Stores	46.0	1.4%	4.3%	6.0%
Total All Accounts	\$2,471.2	8.0%	11.7%	10.1%
County & State Pool Allocation	250.3	5.0%		
Gross Receipts	\$2,721.5	7.7%		<i>*In thousands</i>