

Q3 2011



City of Murrieta Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

Murrieta In Brief

Receipts from third quarter sales were 13.2% above the same sales period one year earlier but payment aberrations skewed the data. With anomalies excluded, actual sales were up 10.2%.

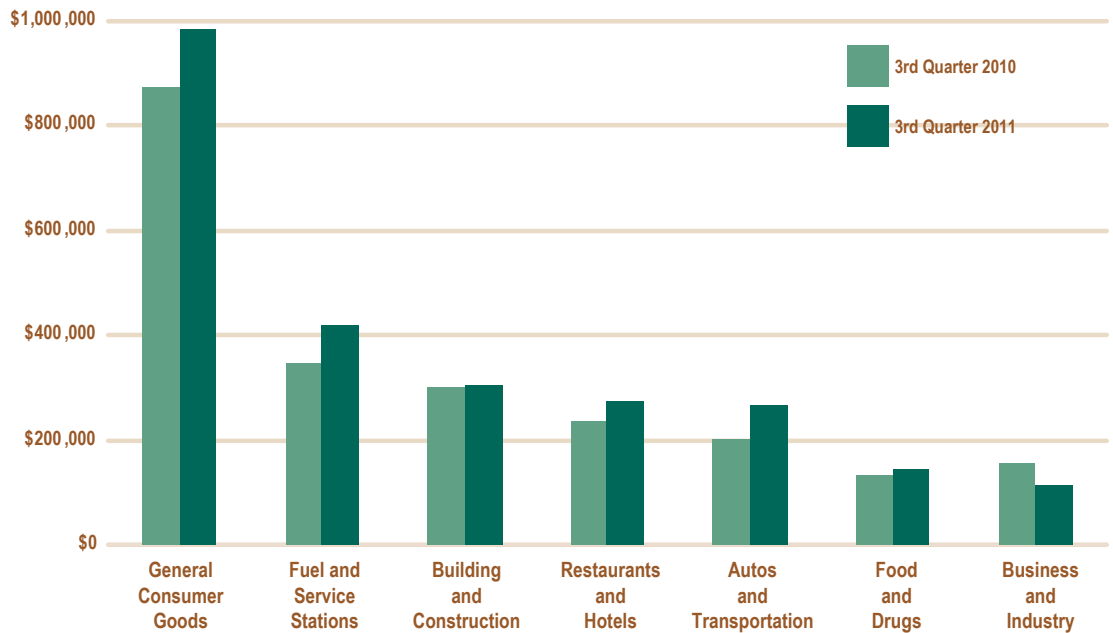
All major industry groups except business and industry showed increases. Autos and transportation benefited from new business additions. Fuel and service station gains tracked fuel price trends for the period. A onetime payment adjustment bringing forward receipts from multiple back quarters roughly doubled the general consumer goods comparison. The adjustment offset declines in the furniture store and electronics and appliance store categories. New business openings boosted results from all restaurant types. A new retail outlet also bolstered food and drug proceeds.

A reporting aberration temporarily exaggerated the city's allocation from the countywide use tax pool.

A negative adjustment to reverse an allocation error in the prior quarter caused the drop in the business and industry group.

Net of accounting aberrations, all of Riverside County was up 9.5%; statewide sales grew 8.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

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

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$4,535,253	\$4,981,128
County Pool	450,584	525,577
State Pool	3,175	629
Gross Receipts	\$4,989,012	\$5,507,334
Less Triple Flip*	\$(1,247,253)	\$(1,376,833)

*Reimbursed from county compensation fund

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

Sales Tax and the Internet

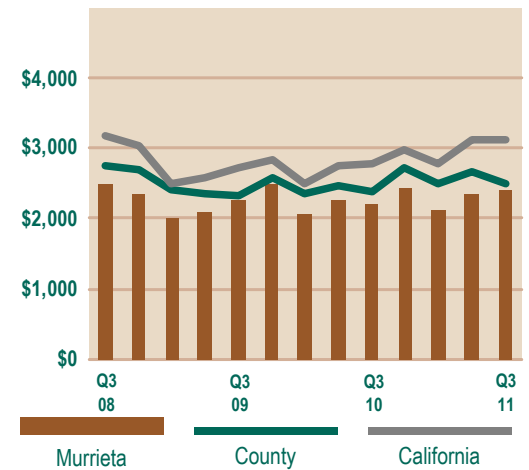
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted

in legislation (AB 155) that requires in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

SALES PER CAPITA



MURRIETA TOP 15 BUSINESS TYPES

Business Type	Murrieta		County	HdL State
	Q3 '11*	Change	Change	Change
Boats/Motorcycles	57.6	32.7%	24.8%	13.1%
Contractors	116.6	-4.7%	13.9%	8.7%
Discount Dept Stores	466.9	30.6%	5.5%	3.1%
Electronics/Appliance Stores	86.8	-10.7%	-3.0%	-9.1%
Family Apparel	94.7	3.0%	7.9%	7.9%
Grocery Stores Liquor	70.9	0.4%	10.4%	10.7%
Home Furnishings	128.1	-6.0%	2.4%	7.4%
Lumber/Building Materials	166.8	4.5%	5.1%	4.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		17.3%	12.3%
Restaurants Beer And Wine	47.9	68.6%	2.8%	0.9%
Restaurants Liquor	49.2	9.7%	7.5%	10.8%
Restaurants No Alcohol	169.7	11.2%	7.7%	7.1%
Service Stations	420.3	21.6%	26.2%	20.5%
Specialty Stores	85.6	0.3%	24.1%	7.9%
Sporting Goods/Bike Stores	46.4	15.4%	9.2%	9.1%
Total All Accounts	\$2,509.9	11.7%	8.8%	9.4%
County & State Pool Allocation	275.9	28.0%		
Gross Receipts	\$2,785.8	13.2%		<i>*In thousands</i>