

Q2 2011



City of Menifee Sales Tax Update

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

Menifee In Brief

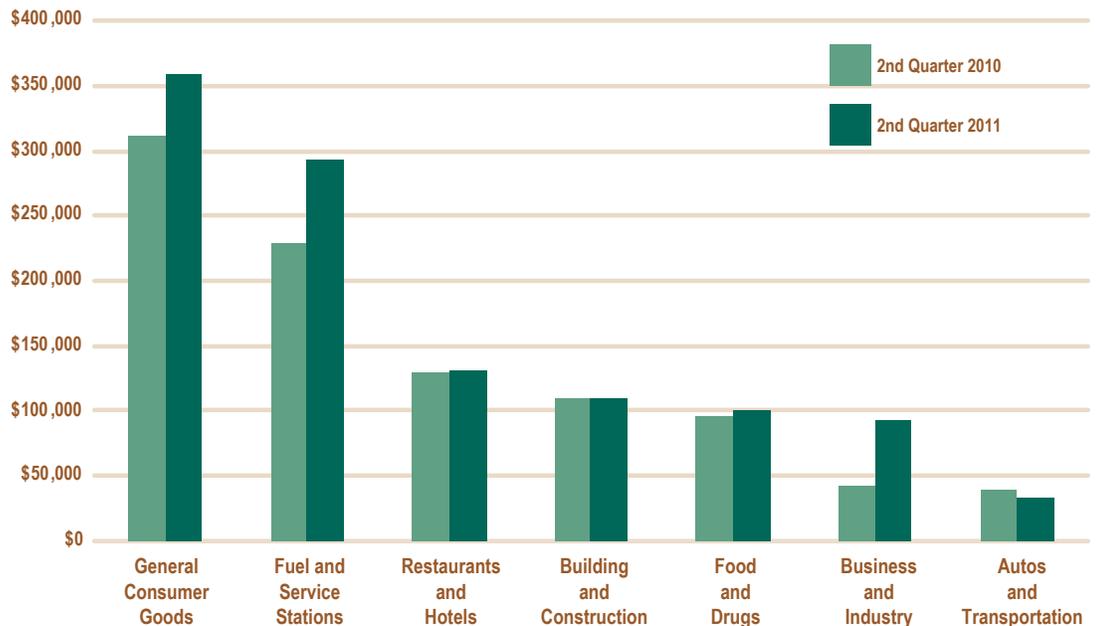
Gross receipts from Menifee's April through June sales rose 16.7% compared to the same quarter one year ago. Actual sales increased 14.6% after onetime accounting events were factored out.

Recently-opened outlets were major factors for gains from the general consumer goods group and, combined with sharply higher fuel prices, boosted returns from service stations. Accounting anomalies that affected one or both quarters overstated results from contractor supplies, restaurants-liquor and the business & industry group as a whole.

Increases were partially offset by declines in automotive sector sales and payment anomalies that depressed comparisons for quick service eateries.

Adjusted for reporting aberrations, taxable sales for all of Riverside County increased 11.5% over the comparable time period; Southern California regional totals were up 8.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Amerimax Building Products	Mt. San Jacinto Junior College
Apro	Ralphs
Arco AM PM	Richardsons Auto & RV Sales
Best Buy	Rite Aid
Chevron	Ross
Circle K	Staples
Kohls	Stater Bros.
Living Spaces Furniture	Sun City Chevron
Lowe's	Target
McDonalds	TJ Maxx
Menifee Car Wash	Verizon Wireless
Menifee Mart	Walgreens
Menifee Shell	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$958,438	\$1,121,170
County Pool	99,252	114,197
State Pool	510	(656)
Gross Receipts	\$1,058,200	\$1,234,711
Less Triple Flip*	\$(264,550)	\$(308,678)

*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

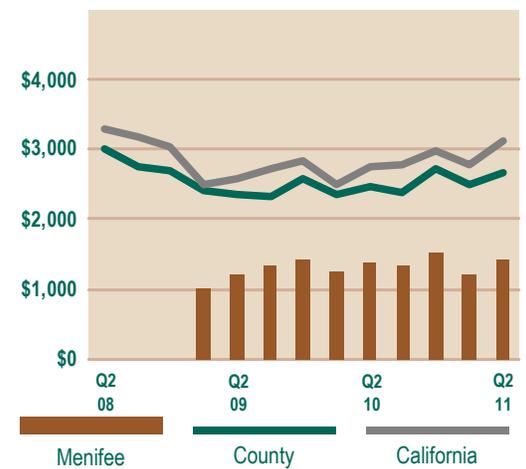
which highlights problems caused by a shift to an hourglass economy.

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



MENIFEE TOP 15 BUSINESS TYPES

Business Type	Menifee		County	HdL State
	Q2 '11*	Change	Change	Change
Contractors	45.4	24.2%	24.7%	7.6%
Discount Dept Stores	— CONFIDENTIAL —	—	5.0%	6.4%
Drug Stores	29.2	8.2%	7.3%	2.4%
Electronics/Appliance Stores	68.8	19.0%	8.3%	3.6%
Family Apparel	94.9	3.5%	11.0%	12.7%
Government/Social Org.	— CONFIDENTIAL —	—	-2.4%	1.9%
Grocery Stores Liquor	61.9	-0.1%	-4.0%	1.4%
Home Furnishings	— CONFIDENTIAL —	—	6.2%	3.6%
Lumber/Building Materials	— CONFIDENTIAL —	—	1.7%	1.4%
Office Supplies/Furniture	— CONFIDENTIAL —	—	126.7%	43.0%
Repair Shop/Hand Tool Rentals	16.2	28.3%	53.9%	10.7%
Restaurants Liquor	26.5	33.9%	6.4%	8.5%
Restaurants No Alcohol	87.5	-5.6%	1.8%	3.4%
Service Stations	291.4	28.1%	25.4%	31.0%
Specialty Stores	20.0	0.3%	30.0%	5.2%
Total All Accounts	\$1,121.2	17.0%	11.7%	10.1%
County & State Pool Allocation	113.5	13.8%		
Gross Receipts	\$1,234.7	16.7%		<i>*In thousands</i>