

Q4 2011



City of Menifee Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

Menifee In Brief

Receipts for Menifee's October through December sales were 12.5% higher than the same quarter one year ago. Actual sales activity was up 14.4% when reporting aberrations were factored out.

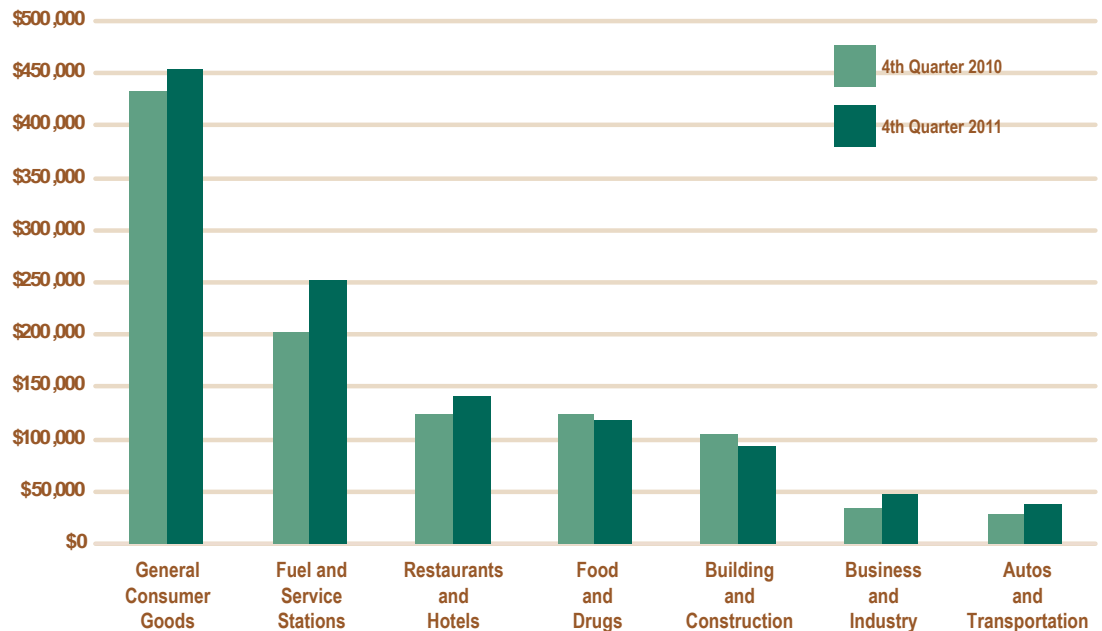
A new station and higher prices boosted service station returns. An increase in apparel and home furnishings pushed general retail into positive territory while new eateries added to the overall gain in restaurants. Autos and transportation also showed an increase.

Retroactive adjustments inflated greater results in business to business proceeds. A new enterprise was a part of this gain. The spike in the countywide use tax allocation pool from higher out-of-state purchases bumped up gross receipts.

Business closeouts and multiple deviations contributed to the overstated decrease in building and construction.

Adjusted for aberrations, taxable sales for all of Riverside County increased 10.1% over the comparable time period, while the Southern California region as a whole was up 7.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Amerimax Building Products	Menifee Shell
Apro	Michaels Arts & Crafts
Arco AM PM	Ralphs
Best Buy	Richardsons Auto & RV Sales
BevMo	Rite Aid
Chevron	Ross
Circle K	Stater Bros
Kohls	Sun City Chevron
Living Spaces Furniture	Target
Lowes	Tillys
McDonalds	TJ Maxx
Menifee Car Wash	Walgreens
Menifee Mart	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

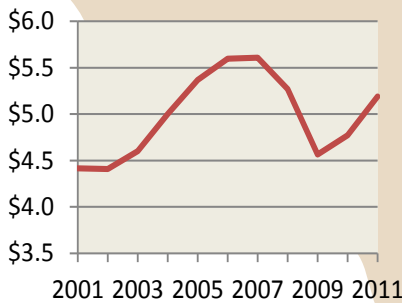
	2010-11	2011-12
Point-of-Sale	\$2,920,663	\$3,280,061
County Pool	293,005	382,883
State Pool	1,445	435
Gross Receipts	\$3,215,112	\$3,663,379
Less Triple Flip*	\$(803,778)	\$(915,845)

*Reimbursed from county compensation fund

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

CA Local Sales Tax Receipts in \$Billions



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

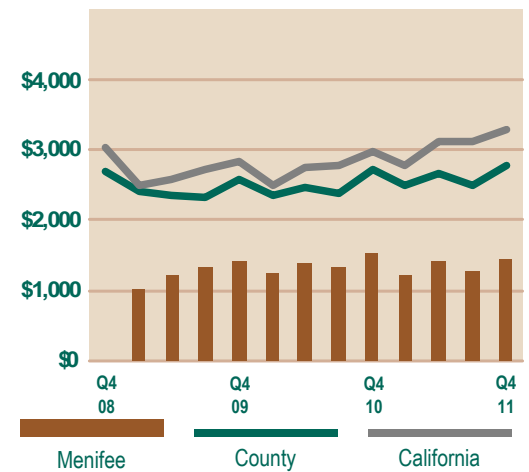
To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too

small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

SALES PER CAPITA



MENIFEE TOP 15 BUSINESS TYPES

Business Type	Menifee		County	HdL State
	Q4 '11*	Change	Change	Change
Contractors	30.1	-37.5%	3.2%	18.4%
Department Stores	52.3	-3.2%	2.5%	2.9%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.8%	4.1%
Drug Stores	34.5	6.8%	13.4%	8.0%
Electronics/Appliance Stores	86.0	-3.0%	-1.8%	4.0%
Family Apparel	74.5	4.9%	9.1%	10.6%
Grocery Stores Liquor	66.2	-8.0%	-7.1%	-1.2%
Home Furnishings	— CONFIDENTIAL —	—	-7.6%	4.2%
Lumber/Building Materials	— CONFIDENTIAL —	—	9.8%	8.2%
Repair Shop/Hand Tool Rentals	18.3	11.0%	-0.6%	10.7%
Restaurants Liquor	31.8	38.3%	9.1%	9.9%
Restaurants No Alcohol	93.8	9.1%	9.7%	7.3%
Service Stations	250.7	24.7%	14.3%	14.7%
Specialty Stores	25.4	8.9%	34.5%	2.1%
Trailers/RVs	21.3	106.4%	10.0%	9.8%
Total All Accounts	\$1,145.6	8.9%	5.9%	7.8%
County & State Pool Allocation	158.4	47.5%		
Gross Receipts	\$1,303.9	12.5%		<i>*In thousands</i>