

City of Banning Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

Banning In Brief

Receipts for Banning's July through September sales were 6.0% higher than the same quarter one year ago. Actual sales activity was up 5.5% when reporting aberrations were factored out.

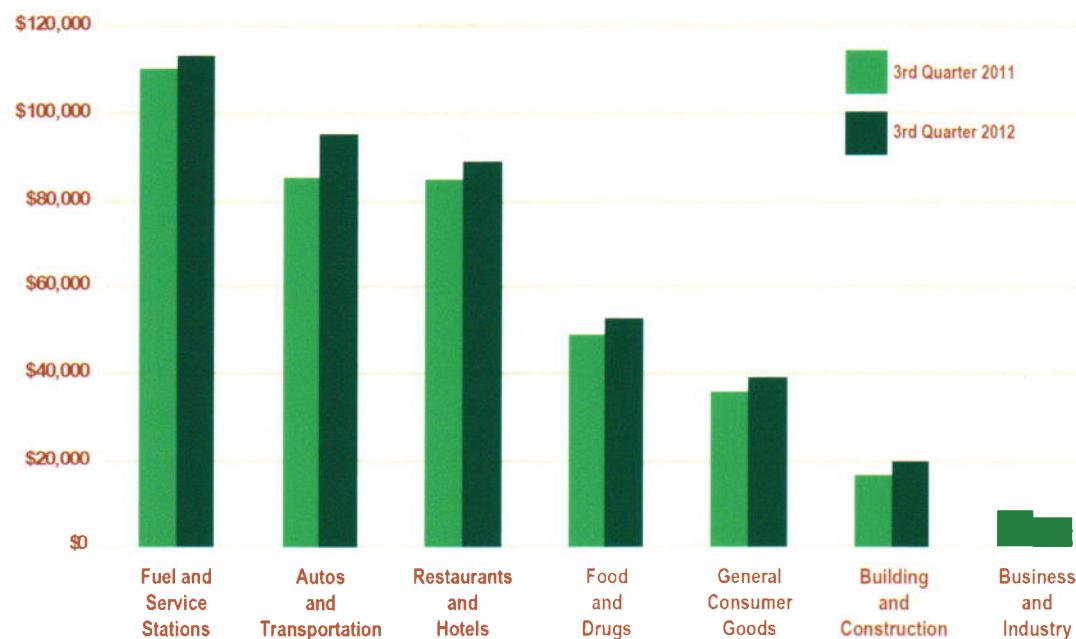
The city experienced a strong sales quarter for grocery stores, contractors and the autos and transportation sector.

Recent additions helped boost revenues from variety stores. Receipts that were incorrectly allocated inflated results from the restaurants and hotels group.

Reporting problems temporarily depressed receipts from business and industry.

Adjusted for aberrations, taxable sales for all of Riverside County increased 13.6% over the comparable time period, while the Southern California region as a whole was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

22nd Shell	Highland Springs
Albertsons	Mobil
Arco AM PM	Jack in the Box
Auto Source	Kmart
Auto Zone	McDonalds
Banning RV Discount Center	Rite Aid
Banning Shell	Sizzler
Big Lots	Smart & Final
Carls Jr	Snack Attack
Del Taco	Chevron
Diamond Hills Auto Group	Sun Lakes Country Club
Farmhouse Restaurant	Walgreens
G & M Oil Arco	Wausau Tile
	Western Hydro

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$811,159	\$836,878
County Pool	85,459	94,008
State Pool	77	273
Gross Receipts	\$896,695	\$931,160
Less Triple Flip*	\$(224,174)	\$(232,790)

**Reimbursed from county compensation fund*

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

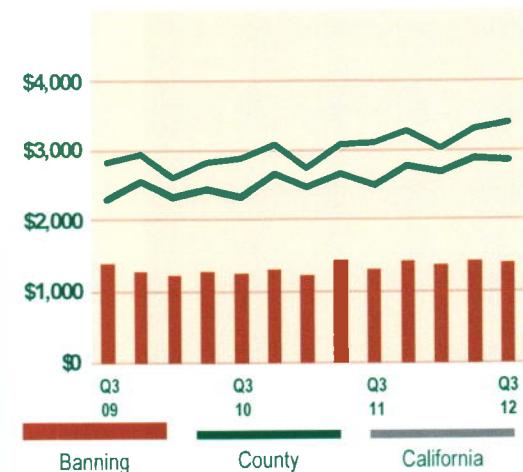
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



BANNING TOP 15 BUSINESS TYPES

Business Type	Banning Q3 '12	Banning Change	County Change	HdL State Change
Auto Repair Shops	8,576	15.4%	0.0%	2.6%
Automotive Supply Stores	14,726	7.5%	3.6%	0.8%
Clubs/Amusement Places	— CONFIDENTIAL —		-6.1%	6.0%
Contractors	19,183	22.2%	13.1%	7.1%
Discount Dept Stores	— CONFIDENTIAL —		17.1%	15.5%
Drug Stores	19,464	0.5%	3.9%	0.4%
Grocery Stores Liquor	18,228	34.7%	12.4%	9.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		18.6%	19.1%
Package Liquor Stores	9,004	-6.3%	5.8%	4.6%
Restaurants Beer And Wine	27,265	-0.2%	3.0%	2.0%
Restaurants No Alcohol	51,378	1.7%	7.4%	8.1%
Service Stations	113,112	2.8%	2.0%	1.6%
Trailers/RVs	7,039	-27.3%	-10.7%	6.6%
Used Automotive Dealers	9,834	0.1%	8.8%	11.7%
Variety Stores	11,761	47.2%	11.7%	4.5%
Total All Accounts	\$415,994	6.4%	15.5%	8.8%
County & State Pool Allocation	43,827	2.0%		
Gross Receipts	\$459,821	6.0%		