

Q4

2012



City of Banning Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Banning In Brief

Receipts for Banning's October through December sales, which included the pool allocations, were 1.0% lower than the same quarter one year ago. Sales activity minus the pools was essentially flat.

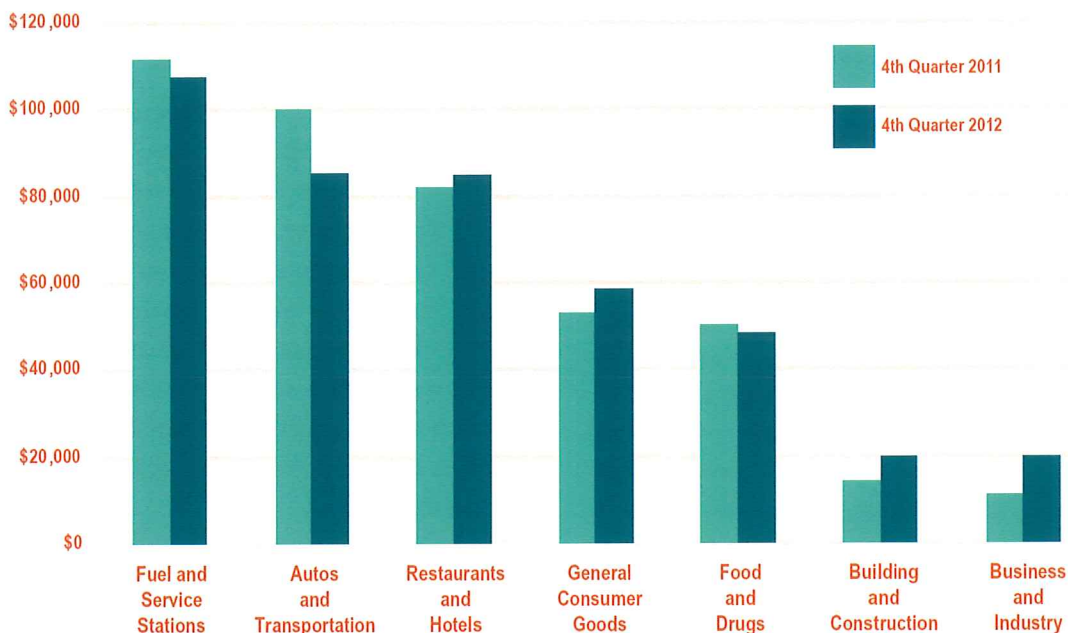
Sales declines from multiple categories of autos and transportation accounted for a large part of the overall decrease; however, the addition of a new business helped cut the loss. The food and drugs group also posted a decrease from various categories including grocery stores. Payment anomalies resulted in a temporary dip from service stations.

The losses were partially offset by a strong sales quarter from contractor supplies. In addition, restaurants posted an overall gain.

Receipts from general consumer goods were lifted, in part, by the addition of new home furnishings and variety stores. A new business was also a factor in the overall increase from the business and industry group.

Aadjusted for aberrations, taxable sales for all of Riverside County increased 9.0% 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	IHOP
Albertsons	Jack in the Box
Arco AM PM	Kmart
Auto Source	McDonalds
Banning Shell	Rite Aid
Big Lots	Sizzler
Carls Jr	Smart & Final
Coyne Powersports	Snack Attack
Del Taco	Chevron
Diamond Hills Auto Group	Sun Lakes Country Club
G & M Oil Arco	Walgreens
Gus Jr 7	Wausau Tile
Highland Springs Mobil	Zenner Performance Meters

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$1,233,888	\$1,262,021
County Pool	143,806	145,045
State Pool	171	579
Gross Receipts	\$1,377,865	\$1,407,645
Less Triple Flip*	\$(344,466)	\$(351,911)

**Reimbursed from county compensation fund*

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

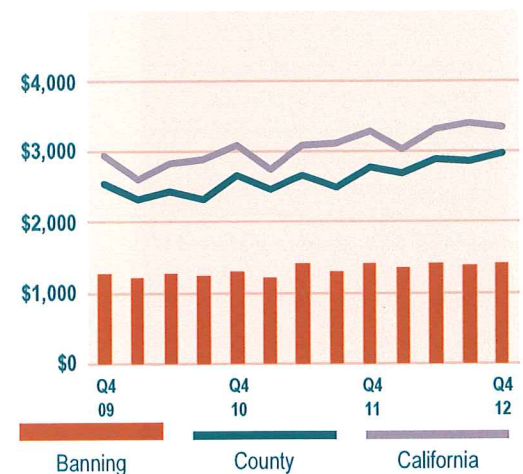
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Senate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



BANNING TOP 15 BUSINESS TYPES

Business Type	Banning		County	HdL State
	Q4 '12	Change	Change	Change
Auto Repair Shops	7,849	12.1%	-2.4%	3.0%
Automotive Supply Stores	13,949	8.8%	7.3%	4.9%
Contractors	19,022	43.0%	19.1%	2.3%
Discount Dept Stores	— CONFIDENTIAL —		4.2%	4.4%
Drug Stores	21,745	-3.9%	-2.5%	-4.4%
Grocery Stores Liquor	12,481	-4.2%	-25.4%	-17.6%
Heavy Industrial	10,208	72.3%	4.6%	11.0%
Home Furnishings	7,918	102.8%	1.2%	6.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		18.8%	17.3%
Package Liquor Stores	8,783	1.4%	8.5%	6.7%
Restaurants Beer And Wine	24,628	0.8%	5.5%	-0.1%
Restaurants No Alcohol	51,559	4.9%	4.8%	5.1%
Service Stations	106,296	-4.9%	2.6%	2.8%
Used Automotive Dealers	9,034	-17.3%	8.7%	7.7%
Variety Stores	12,904	20.0%	7.6%	10.1%
Total All Accounts	\$425,143	0.6%	7.9%	2.0%
County & State Pool Allocation	51,343	-12.1%		
Gross Receipts	\$476,485	-1.0%		