

Q3 2011

Moreno Valley Sales Tax *Update*

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

Moreno Valley In Brief

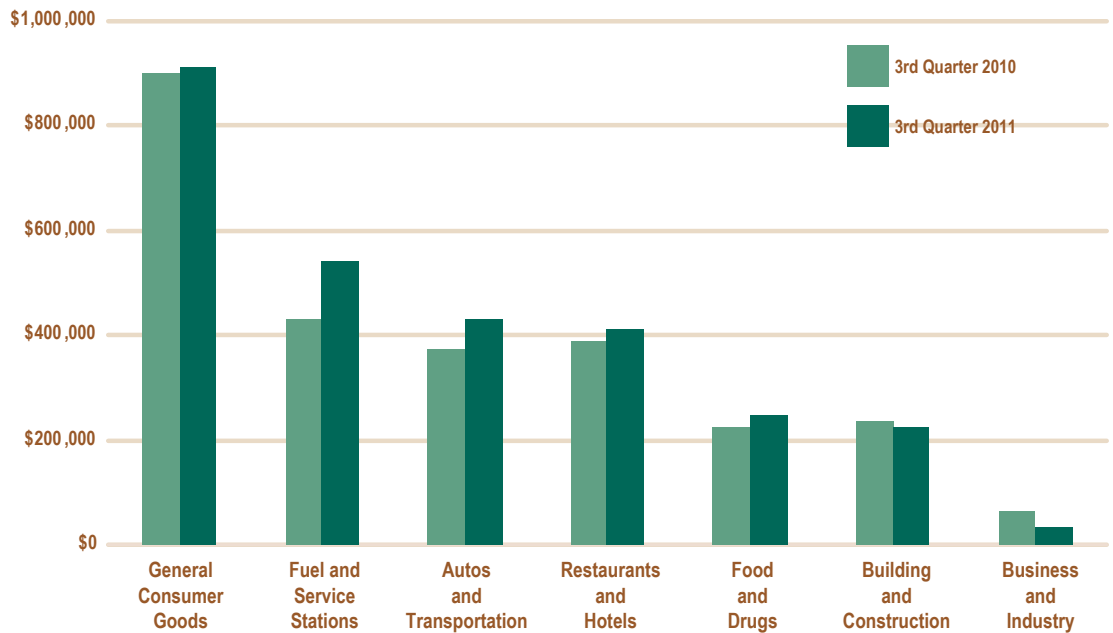
Receipts from third quarter sales were 8.2% above the same sales period one year earlier.

Service station, new motor vehicle dealer, restaurants with liquor and home furnishings categories all showed double-digit gains with service station results accounting for nearly half of the overall increase. Other business types with positive results included restaurants no alcohol, grocery stores with liquor, and specialty stores. A onetime payment aberration boosted grocery store with liquor proceeds. Though still up from the prior year, an apparent late payment cut specialty store totals. The city's countywide use tax pool allocation, up 22.7% over the year-ago quarter, was inflated by a onetime reporting aberration.

Among the major business categories only building and construction and business and industry declined. A business closeout combined with a negative multi-quarter payment adjustment cut business and industry receipts. A onetime reporting aberration reduced contractor proceeds.

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

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Arco	Moss Bros
Arco AM PM	Chevrolet
Chevron	Moss Bros Chrysler
Chevron	Jeep Dodge
Circle K	Moss Bros Honda
Costco	Moss Bros Toyota
Food 4 Less	Ross
Home Depot	Sears
JC Penney	Stater Bros
Kohls	Target
Lowe's	Tesoro Refining & Marketing
Macy's	Thrifty Gas Station
Moreno Gas Mart	Wal Mart
Moreno Valley Delrahim	Supercenter

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$5,434,229	\$5,797,935
County Pool	540,482	610,901
State Pool	3,781	564
Gross Receipts	\$5,978,492	\$6,409,400
Less Triple Flip*	\$ (1,494,623)	\$ (1,602,350)

*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

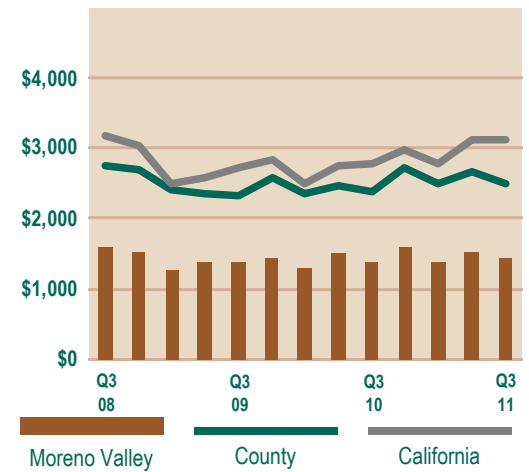
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

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



MORENO VALLEY TOP 15 BUSINESS TYPES

Business Type	Moreno Valley		County	HdL State
	Q3 '11*	Change	Change	Change
Automotive Supply Stores	63.6	0.8%	9.4%	12.3%
Department Stores	111.8	2.1%	1.6%	4.7%
Discount Dept Stores	388.8	-4.2%	5.5%	3.1%
Drug Stores	43.0	6.0%	10.7%	6.3%
Electronics/Appliance Stores	58.3	0.0%	-2.9%	-9.2%
Family Apparel	121.8	4.6%	7.9%	8.2%
Grocery Stores Beer/Wine	39.3	-4.4%	-1.8%	4.5%
Grocery Stores Liquor	145.5	18.8%	11.7%	10.9%
Home Furnishings	38.8	42.1%	2.4%	7.5%
Lumber/Building Materials	197.9	0.7%	5.1%	4.1%
New Motor Vehicle Dealers	313.1	25.3%	17.3%	12.2%
Restaurants Liquor	85.8	13.0%	8.6%	10.9%
Restaurants No Alcohol	279.1	4.3%	7.6%	7.0%
Service Stations	542.3	25.4%	26.2%	20.5%
Specialty Stores	40.9	7.6%	24.0%	8.5%
Total All Accounts	\$2,803.0	6.9%	8.8%	9.4%
County & State Pool Allocation	308.2	22.5%		
Gross Receipts	\$3,111.2	8.2%		<i>*In thousands</i>