

Q1 2012



City of Banning Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

Banning In Brief

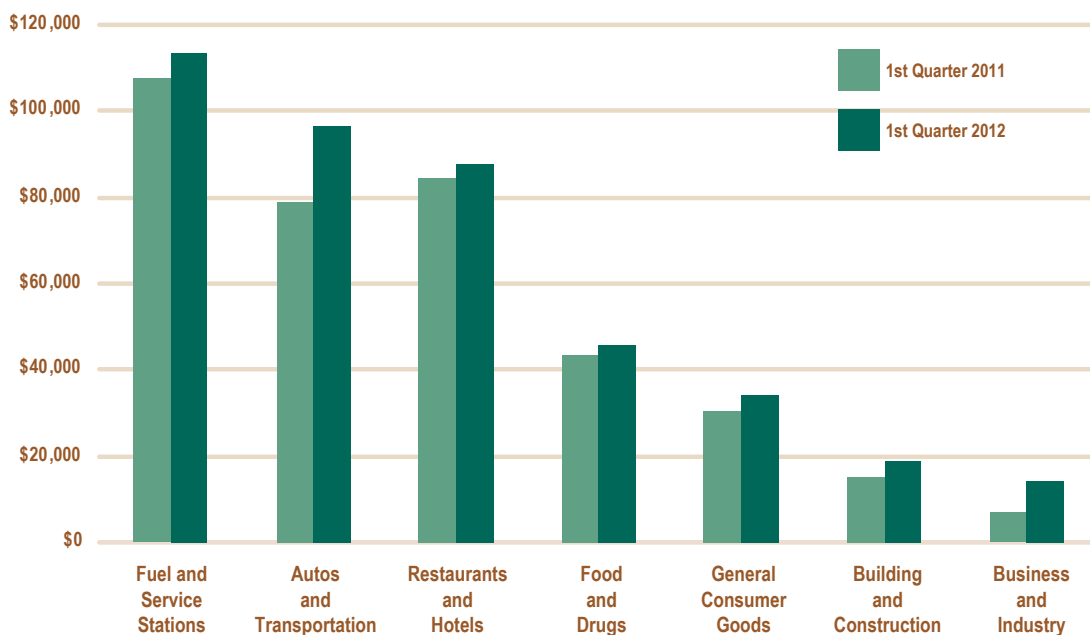
Receipts for Banning's January through March sales were 11.5% higher than the same quarter one year ago. Actual sales activity was up 12.4% when reporting aberrations were factored out.

The city experienced a strong sales quarter for autos & transportation, building & construction and restaurants. Higher fuel prices and reporting aberrations increased receipts from service stations.

A recent addition helped boost revenues from general consumer goods. Onetime accounting adjustments that negatively impacted year-ago returns exaggerated the increase in the business & industry group.

Aadjusted for aberrations, taxable sales for all of Riverside County increased 8.0% over the comparable time period, while the Southern California region as a whole was up 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

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

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

| | 2010-11 | 2011-12 |
|--------------------------|--------------------|--------------------|
| Point-of-Sale | \$1,494,826 | \$1,644,848 |
| County Pool | 150,790 | 184,545 |
| State Pool | 661 | 592 |
| Gross Receipts | \$1,646,278 | \$1,829,986 |
| Less Triple Flip* | \$(411,569) | \$(457,496) |

**Reimbursed from county compensation fund*

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

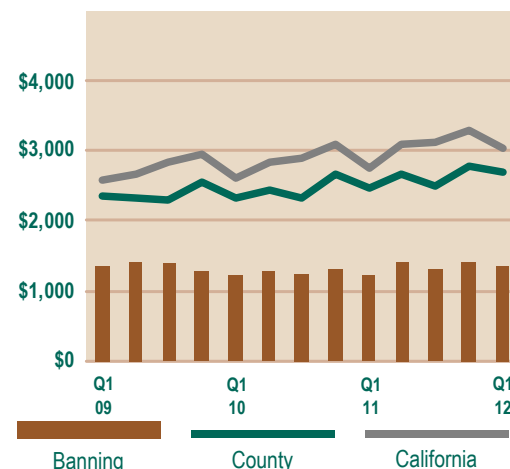
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

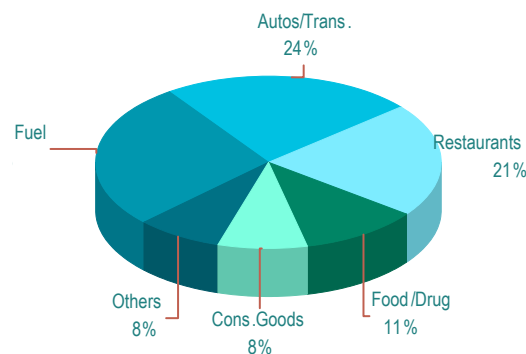
The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Banning This Quarter



BANNING TOP 15 BUSINESS TYPES

| Business Type | Banning | | County | HdL State |
|---|------------------|--------------|-------------|-------------|
| | Q1 '12 | Change | Change | Change |
| Auto Repair Shops | 5,383 | 13.8% | 10.1% | 8.2% |
| Automotive Supply Stores | 16,133 | 14.3% | 7.8% | 9.3% |
| Contractors | 17,837 | 22.1% | -4.7% | 18.0% |
| Discount Dept Stores | — CONFIDENTIAL — | | 10.9% | 5.6% |
| Drug Stores | 20,313 | 5.4% | 10.3% | 2.7% |
| Grocery Stores Liquor | 12,160 | 5.1% | 1.7% | 5.5% |
| Heavy Industrial | 8,136 | 20.7% | 18.8% | 15.5% |
| New Motor Vehicle Dealers | — CONFIDENTIAL — | | 17.8% | 14.5% |
| Package Liquor Stores | 7,905 | 3.2% | 5.7% | 10.1% |
| Restaurants Beer And Wine | 28,835 | -3.6% | 5.2% | 4.1% |
| Restaurants No Alcohol | 51,290 | 8.2% | 6.9% | 9.5% |
| Service Stations | 113,409 | 5.5% | 11.6% | 13.3% |
| Trailers/RVs | 8,906 | 22.0% | 3.9% | 10.3% |
| Used Automotive Dealers | 13,281 | 39.6% | 14.4% | 14.2% |
| Variety Stores | 8,334 | 39.8% | 12.8% | 12.0% |
| Total All Accounts | \$410,960 | 11.8% | 8.2% | 9.9% |
| County & State Pool Allocation | 41,161 | 8.6% | | |
| Gross Receipts | \$452,120 | 11.5% | | |