

Q3 2011



City of Banning Sales Tax Update

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

Banning In Brief

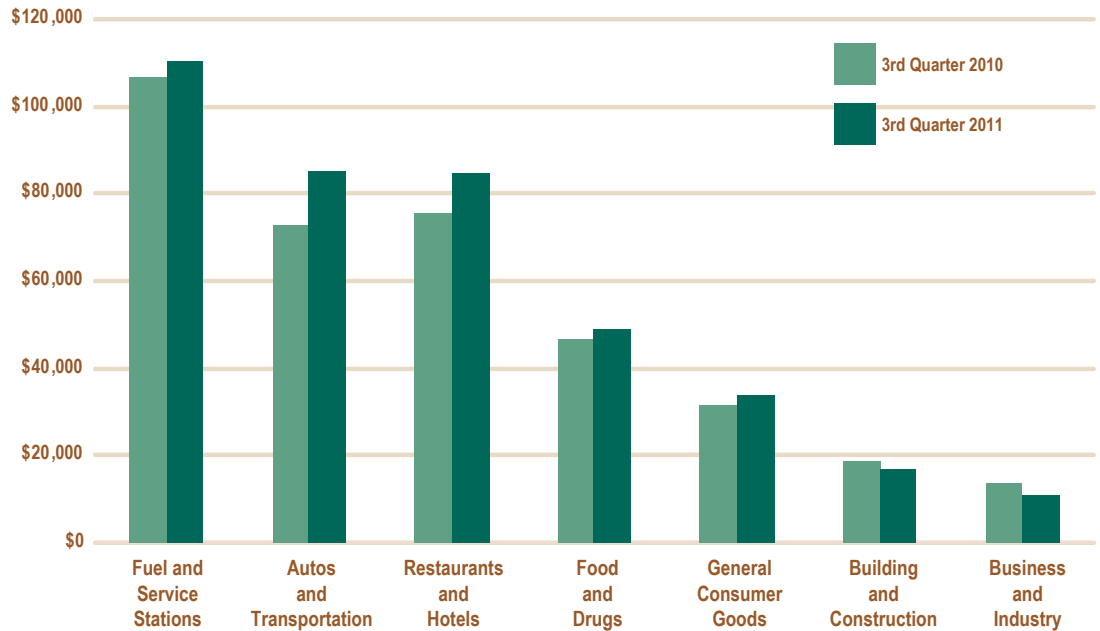
Receipts from Banning's July through September sales were 8.3% higher than the same quarter one year ago. Actual sales activity increased 9.0% after accounting aberrations were factored out.

The city experienced a strong sales quarter from the autos & transportation group. A new eatery opening and a payment anomaly positively impacted restaurants serving beer & wine. A larger allocation from the countywide use tax pool further contributed to the increase.

The gains were partially offset by lower sales from the business & industry group.

Adjusted for reporting aberrations, sales and use tax receipts for all of Riverside County increased 9.5% from last year's comparable quarter while Southern California as a whole, was up 8.3%.

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	K Mart
Autozone	KFC
Banning RV Discount Center	McDonalds
Big Lots	Performance Meter
Carls Jr	Rite Aid
Del Taco	Sizzler
Diamond Hills Buick, Chevrolet, Pontiac, GMC	Smart & Final
Farmhouse Restaurant	Snack Attack
G & M Oil Arco	Chevron
	Sun Lakes Country Club
	Walgreens
	Wausau Tile

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$741,508	\$811,159
County Pool	73,684	85,459
State Pool	519	77
Gross Receipts	\$815,710	\$896,695
Less Triple Flip*	\$(203,928)	\$(224,174)

*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

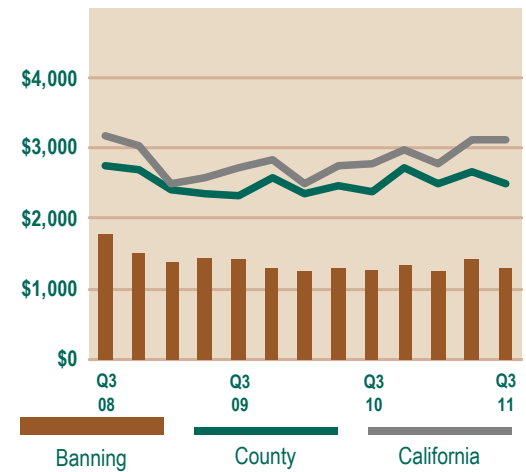
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

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



BANNING TOP 15 BUSINESS TYPES

Business Type	Banning		County	HdL State
	Q3 '11	Change	Change	Change
Automotive Supply Stores	16,861	32.8%	9.4%	12.3%
Contractors	15,694	-11.7%	13.9%	8.4%
Discount Dept Stores	— CONFIDENTIAL —		5.5%	3.1%
Drug Stores	19,369	6.7%	10.7%	6.3%
Grocery Stores Beer/Wine	6,304	1.1%	-1.8%	4.5%
Grocery Stores Liquor	13,532	-0.3%	11.7%	10.9%
Light Industrial/Printers	5,512	-33.8%	-32.2%	2.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		17.3%	12.2%
Package Liquor Stores	9,608	12.3%	8.8%	13.2%
Restaurants Beer And Wine	26,880	36.5%	0.5%	0.5%
Restaurants No Alcohol	50,524	4.5%	7.6%	7.0%
Service Stations	110,073	3.1%	26.2%	20.5%
Trailers/RVs	9,685	-4.3%	9.3%	7.0%
Used Automotive Dealers	9,822	34.0%	15.7%	10.8%
Variety Stores	8,181	23.2%	6.8%	15.7%
Total All Accounts	\$390,926	6.9%	8.8%	9.4%
County & State Pool Allocation	42,979	22.5%		
Gross Receipts	\$433,905	8.3%		