

Q4 2011



City of Banning Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

Banning In Brief

Receipts for Banning's October through December sales were 13.2% higher than the same quarter one year ago. Actual sales activity was up 12.4% when reporting aberrations were factored out.

Increased auto sales were primarily responsible for the gain from the autos and transportation group, where new businesses also lifted allocations. Higher receipts from drug stores were a major factor in the increase from the food and drugs sector.

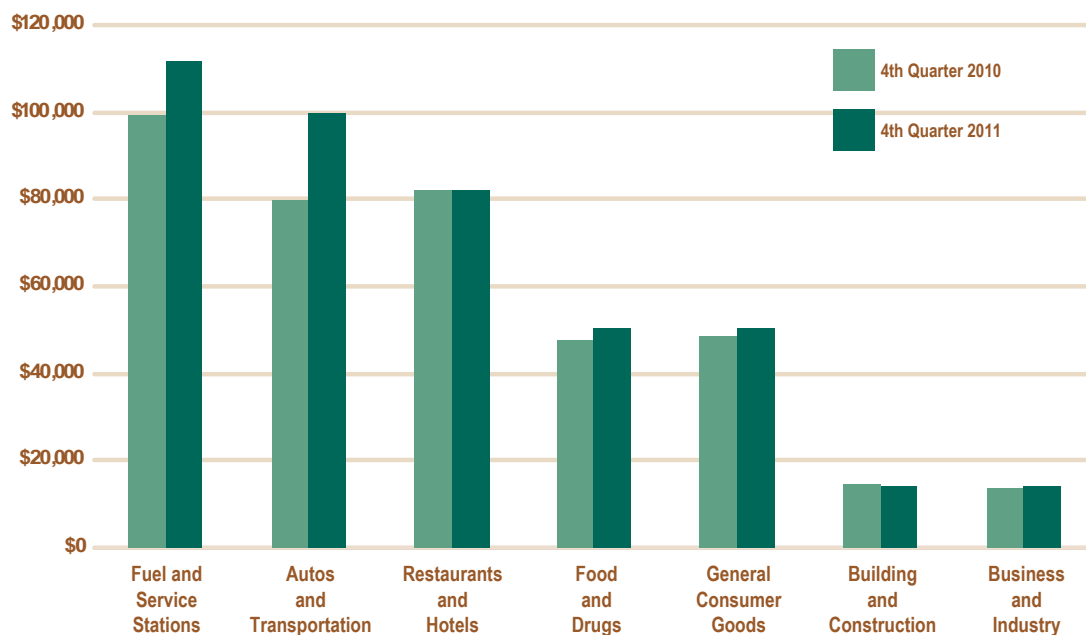
Higher prices at the pump helped boost service station receipts. A new business largely contributed to the positive results from general consumer goods.

Erroneous allocations from the countywide use tax pool were primarily responsible for the 48.4% increase in the city's share of the pool. Allocations from the pool are distributed based on a pro-rata share of the total countywide taxable sales.

Receipts from the restaurants and hotels group were flattened by losses from establishments serving beer and wine that offset increases from eateries without alcohol.

Aadjusted for aberrations, taxable sales for all of Riverside County increased 10.1% over the comparable time period, while the Southern California region as a whole was up 7.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

22nd Shell	IHOP
Albertsons	Jack in the Box
Arco AM PM	K Mart
Auto Source	McDonalds
Autozone	Performance Meter
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
G & M Oil Arco	Walgreens
Highland Springs Mobil	Wausau Tile

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

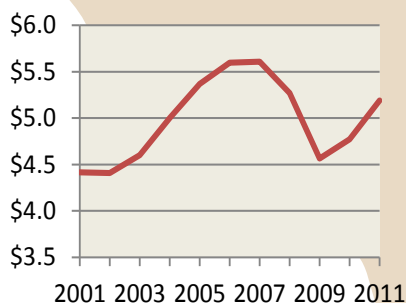
	2010-11	2011-12
Point-of-Sale	\$1,127,165	\$1,233,888
County Pool	112,991	143,806
State Pool	571	171
Gross Receipts	\$1,240,727	\$1,377,865
Less Triple Flip*	\$(310,182)	\$(344,466)

**Reimbursed from county compensation fund*

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

**CA Local Sales Tax Receipts
in \$Billions**



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

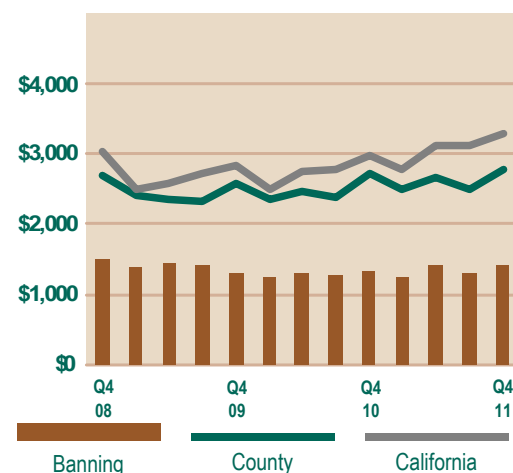
The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too

small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

SALES PER CAPITA**BANNING TOP 15 BUSINESS TYPES**

Business Type	Banning		County	HdL State
	Q4 '11	Change	Change	Change
Automotive Supply Stores	14,881	7.8%	2.4%	4.2%
Clubs/Amusement Places	— CONFIDENTIAL —		8.4%	10.9%
Contractors	13,298	-3.7%	3.2%	17.9%
Discount Dept Stores	— CONFIDENTIAL —		-1.8%	4.1%
Drug Stores	22,635	12.3%	13.4%	8.0%
Grocery Stores Liquor	13,026	-1.8%	-7.1%	-1.2%
Heavy Industrial	6,062	-24.2%	12.2%	32.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		12.9%	15.5%
Package Liquor Stores	8,658	2.6%	-0.4%	4.4%
Restaurants Beer And Wine	24,471	-7.4%	-1.7%	-0.4%
Restaurants No Alcohol	49,166	4.0%	9.7%	7.3%
Service Stations	111,802	12.2%	14.1%	14.7%
Trailers/RVs	7,532	-43.7%	10.0%	9.8%
Used Automotive Dealers	10,924	33.6%	10.8%	11.8%
Variety Stores	10,752	28.7%	11.9%	9.1%
Total All Accounts	\$422,730	9.6%	5.9%	7.8%
County & State Pool Allocation	58,441	48.5%		
Gross Receipts	\$481,170	13.2%		