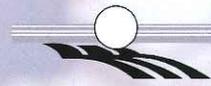


Q3 2011



City of Lemoore Sales Tax Update

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

Lemoore In Brief

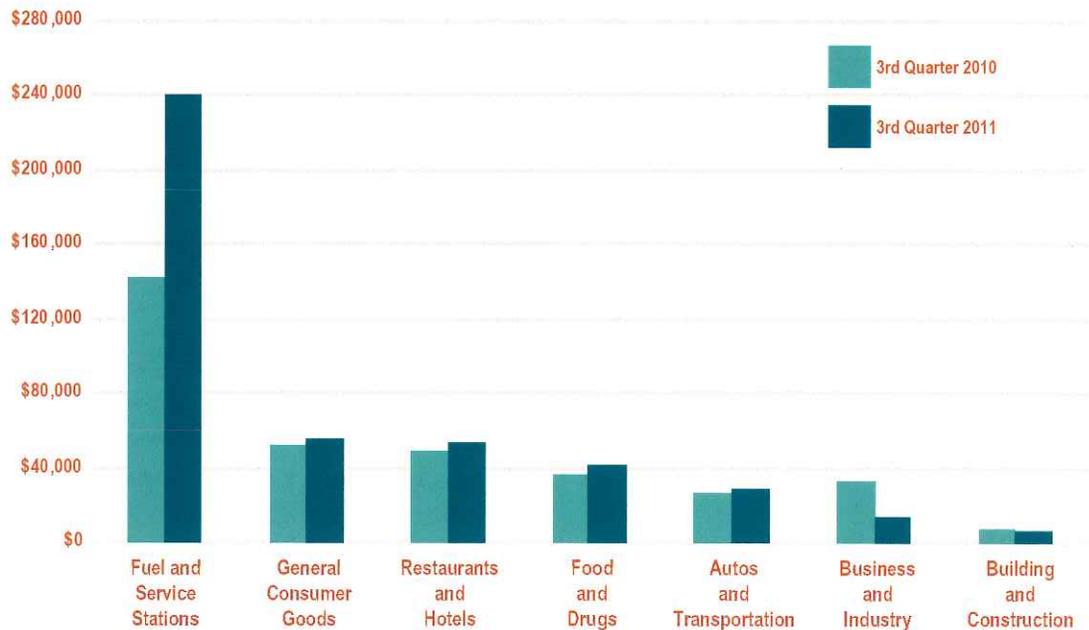
Receipts from Lemoore's July through September sales were 26.9% higher than the same quarter one year ago. Actual sales activity increased 32.5% after accounting aberrations were factored out.

The majority of increased sales can be attributed to higher fuel prices which positively impacted the fuel & service stations group. The city experienced improving sales in food & drugs, general consumer goods, and autos & transportation. A new eatery opening contributed to the increase in restaurants. A larger allocation from the countywide use tax pool further added to the gain.

The gains were partially offset by accounting adjustments that decreased results from the business & industry group.

Adjusted for reporting aberrations, sales and use tax receipts for all of Kings County increased 13.2% from last year's comparable quarter while the San Joaquin Valley as a whole, was up 13.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

| | |
|-------------------------|----------------------------|
| 7 Eleven | Lemoore Crossings |
| Auto Zone | Lemoore Mini Mart |
| Best Buy Market | Lemoore Mobil |
| Billingsley Tire | Lemoore Shell |
| Burrows & Castadio | Leprino Foods |
| Bush Street Chevron | Mc Cann & Sons Hay Service |
| Dassels Petroleum | McDonalds |
| Fastrip | Popeyes |
| Fastrip | Rite Aid |
| Gary Burrows | Save Mart |
| Jack in the Box | Taco Bell |
| K & H Liquor Food & Gas | Walgreens |
| K Mart | |

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

| | 2010-11 | 2011-12 |
|-----------------------|------------------|--------------------|
| Point-of-Sale | \$718,176 | \$863,372 |
| County Pool | 102,708 | 142,128 |
| State Pool | 520 | 107 |
| Gross Receipts | \$821,404 | \$1,005,606 |
| Cty/Cnty Share | (16,428) | (20,112) |
| Net Receipts | \$804,976 | \$985,494 |
| Less Triple Flip* | \$(201,244) | \$(246,373) |

*Reimbursed from county compensation fund

NOTES

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

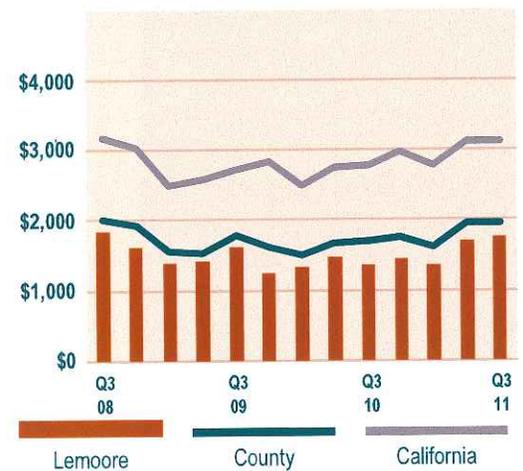
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

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



LEMOORE TOP 15 BUSINESS TYPES

| Business Type | Lemoore | | County | HdL State |
|---|------------------|---------------|--------------|-------------|
| | Q3 '11 | Change | Change | Change |
| Auto Repair Shops | 3,867 | 6.2% | -21.5% | 4.8% |
| Automotive Supply Stores | 24,231 | 12.3% | 11.6% | 12.3% |
| Discount Dept Stores | — CONFIDENTIAL — | | -1.2% | 3.1% |
| Drug Stores | — CONFIDENTIAL — | | 8.6% | 6.2% |
| Food Mfg. | 7,449 | 12.2% | 74.4% | 11.1% |
| Fuel/Ice Dealers | — CONFIDENTIAL — | | 35.2% | 21.5% |
| Grocery Stores Beer/Wine | 10,853 | 3.6% | 9.9% | 4.5% |
| Grocery Stores Liquor | 13,518 | 1.3% | 14.8% | 10.8% |
| Heavy Industrial | 5,236 | -74.1% | 34.7% | 20.5% |
| Package Liquor Stores | — CONFIDENTIAL — | | 23.2% | 13.2% |
| Petroleum Prod/Equipment | — CONFIDENTIAL — | | 26.2% | 46.2% |
| Restaurants Beer And Wine | 10,907 | 3.1% | -3.0% | 0.7% |
| Restaurants No Alcohol | 38,253 | 16.1% | 1.4% | 7.1% |
| Service Stations | 90,982 | 9.8% | 15.2% | 20.5% |
| Specialty Stores | 3,584 | -27.5% | -12.1% | 8.3% |
| Total All Accounts | \$439,780 | 27.1% | 13.4% | 9.4% |
| County & State Pool Allocation | 62,529 | 25.6% | | |
| Gross Receipts | \$502,310 | 26.9% | | |
| City/County Share | (10,046) | -26.9% | | |
| Net Receipts | \$492,263 | 26.9% | | |