

Q3 2008



City of La Mesa Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2008)

La Mesa In Brief

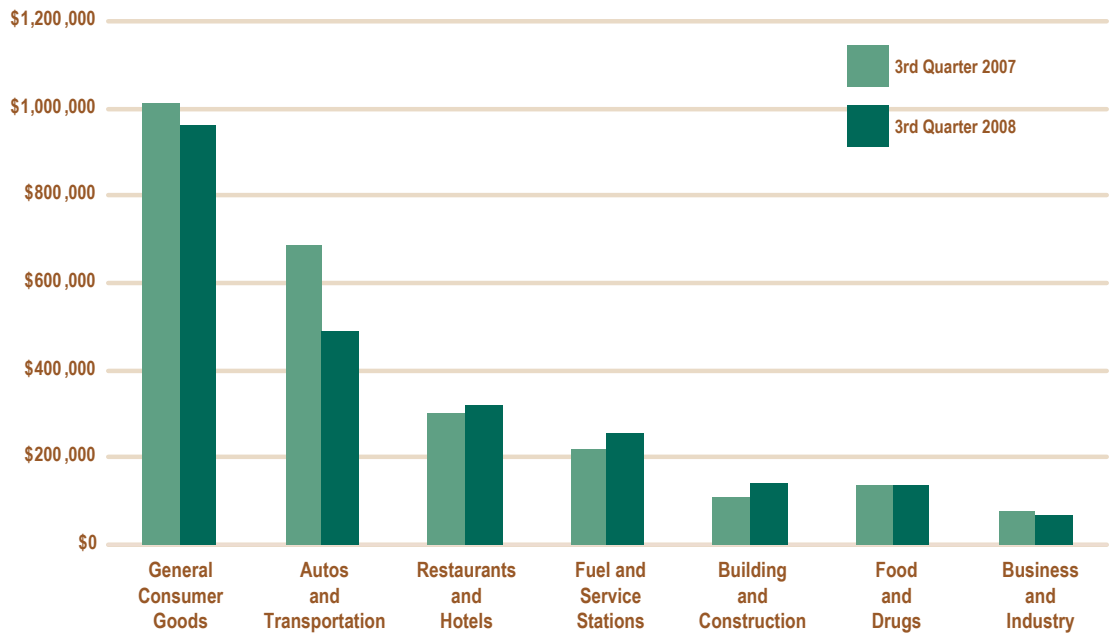
Receipts for La Mesa's third quarter sales were 5.9% lower than the same quarter one year ago. Actual sales were down 6.9% when reporting aberrations were factored out.

A decline in sales from new motor vehicle dealers, home furnishings and electronics/appliance stores was primarily responsible for the current decrease.

The losses were partially offset by an incorrectly allocated payment in the year-ago period that exaggerated service station results. Receipts from the building & construction sector were inflated by the double-up of a previously late payment.

Adjusted for reporting aberrations, taxable sales for all of San Diego County declined 3.8% over the comparable time period while the Southern California area, as a whole, was down 5.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco AM PM Mini Mart	K & T Park 79
Beverages & More	La Mesa Lumber
Bob Stall Chevrolet	Macys
Burlington Coat Factory	Murray Dr Gas & Mini Mart
Carl Burger Chrysler Jeep World	Ross
Carl Burger Dodge	Sports Authority
Circuit City	Sunset Glazing
Costco	Target
Dixieline Lumber	Tesoro Refining & Marketing
Drew Ford	Toys R Us Babies R Us
Emerald Oil	Vons
Guitar Center	Wal Mart
Innova Energy	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$5,140,866	\$4,813,939
County Pool	582,249	556,763
State Pool	421	1,399
Gross Receipts	\$5,723,537	\$5,372,100
Less Triple Flip*	\$(1,430,884)	\$(1,343,025)

*Reimbursed from county compensation fund

Current Quarter - Statewide

Third quarter sales and use tax receipts declined 4.1% from the same period of 2007 once accounting aberrations were factored out.

Revenues from new car sales dropped 25.7% compared to July through September of 2007. Receipts from building materials declined 12.4%, business purchases 6.3% and general consumer goods 4.2%. Receipts from grocers, drug stores, and some categories of restaurants continued to post modest gains.

The statewide decrease was partially cushioned by one last quarter of record fuel prices. Tax receipts from petroleum related sales gained 25.3% over the third quarter of 2007 and accounted for 14% of California's total sales and use tax collections.

Continuing Declines Projected

This was the fifth consecutive quarter of decreasing statewide sales and use tax revenues. Given that the depth, length, and solution to this recession remain uncertain, local government budgeting will be the most challenging it has been in decades. Adding to the difficulty will be an expected rash of business closures as the existing glut of too much debt and too many stores and auto dealerships is sorted out.

The current consensus is that drastically lower fuel prices and the weakest holiday spending since the 1980's will make the drop in March's sales tax receipts (October through December sales) the most severe of the cycle to date. Lesser declines are likely for at least two quarters thereafter with overall revenues "bottoming out" at the end of 2009 or first quarter of 2010.

Agencies Will Fare Differently

Each jurisdiction's experience will vary with the specific makeup and character of its local tax base. The timing and benefits of an additional federal stimulus package remains unknown but cannot be expected to produce immediate

or complete recovery. As of January 1, prognostications for key segments of the state's sales tax revenues were:

Consumer Goods – With Californians already debt burdened, loosening of credit is not expected to stimulate spending to previous highs until jobs and retirement investments revive. Further declines are projected for the remainder of 2008/2009 with minimal growth in 2009/2010.

Auto Related - Credit will help but real recovery is not anticipated until 2010/2011. Severe declines are expected to continue through at least the remainder of 2008/2009.

Fuel – Even production cutbacks and Middle East unrest will not bring back last summer's peak prices. A 30% decline is expected in the last two quarters of 2008/2009 with continuing revenue reductions through mid 2009/2010.

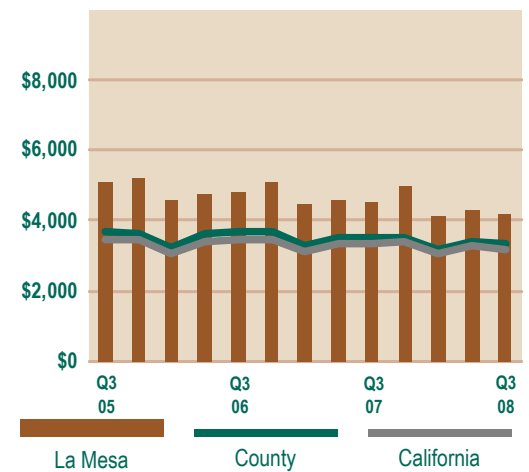
Business Spending - This usually falls and recovers later in the cycle than other segments. Declines of 5% to 10% are expected for some industrial categories during the remainder

of the fiscal year continuing through 2009/2010.

Building/Construction - Public spending is expected to boost specific tax categories by 2009/2010 but fewer housing, industrial and commercial startups make major gains unlikely.

Restaurant/Entertainment - Fast food sales should hold up but cutbacks in revenues from tourism and casual and high end restaurants are expected over the next few quarters.

SALES PER CAPITA



LA MESA TOP 15 BUSINESS TYPES

Business Type	La Mesa		County	HdL State
	Q3 '08*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	2.0%	-0.9%
New Motor Vehicle Dealers	375.6	-30.1%	-22.8%	-23.9%
Service Stations	254.8	16.6%	25.1%	25.6%
Restaurants Liquor	144.8	2.7%	0.6%	3.7%
Restaurants No Alcohol	108.5	21.6%	11.8%	6.7%
Specialty Stores	103.3	-1.7%	-6.0%	-5.8%
Lumber/Building Materials	83.9	-3.8%	-12.5%	-13.9%
Grocery Stores Liquor	66.9	-6.3%	-2.0%	0.9%
Restaurants Beer And Wine	66.5	-10.0%	-5.8%	-7.1%
Family Apparel	65.9	7.0%	1.3%	0.3%
Electronics/Appliance Stores	64.7	-5.5%	5.1%	-0.6%
Home Furnishings	57.2	-23.2%	-3.0%	-15.0%
Department Stores	— CONFIDENTIAL —	—	-15.8%	-16.8%
Music Stores	— CONFIDENTIAL —	—	-8.5%	-11.6%
Contractors	42.5	515.7%	-15.3%	-11.8%
Total All Accounts	\$2,375.8	-6.8%	-2.8%	-4.4%
County & State Pool Allocation	286.3	1.6%		
Gross Receipts	\$2,662.0	-5.9%		<i>*In thousands</i>