

Q1 2007



El Dorado County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2007)

El Dorado County In Brief

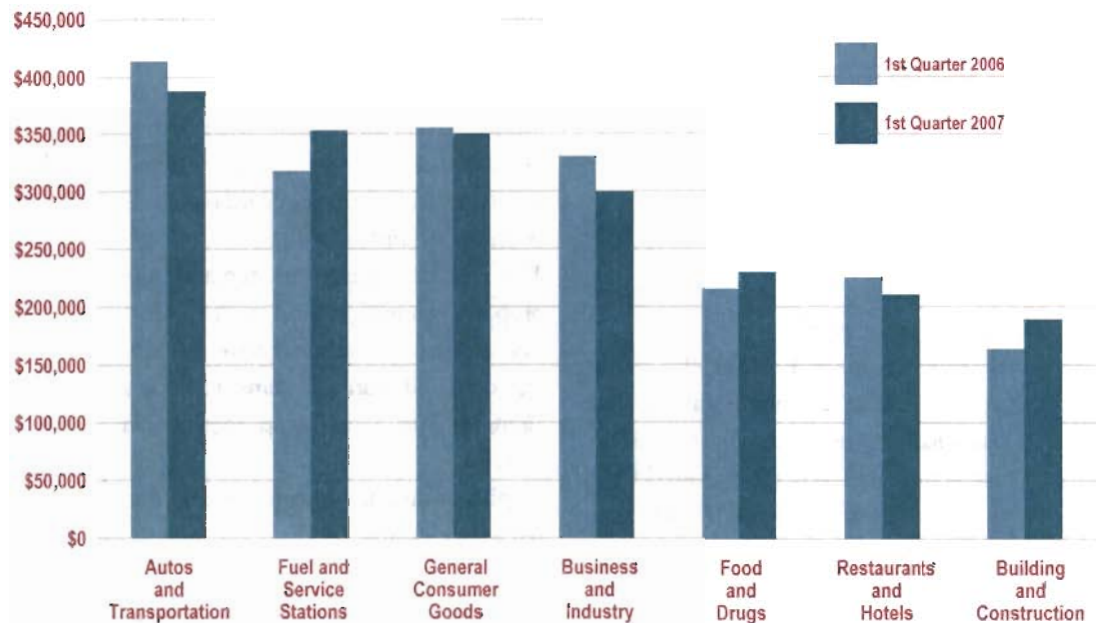
The allocation for the unincorporated area's January through March sales was 0.4% less than one year ago.

Decreased sales from new auto dealerships, restaurants with no alcohol, restaurants with beer and wine, business services, grocery stores with beer and wine and sporting goods/bike stores were primarily responsible for the decrease. A recent closeout decreased receipts from contractors. A onetime payment that temporarily inflated last year's allocation was responsible for the decrease in light industrial/printers.

The losses were offset by higher fuel prices plus increased sales from grocery stores with liquor, drug stores, hardware stores and some categories of General Consumer Goods. Recent additions helped boost revenues from restaurants with liquor. Comparisons of specialty stores were temporarily inflated by onetime accounting adjustments.

Gross receipts for all of El Dorado County, including its cities, decreased 0.3% over the comparable time period while the Sacramento region as a whole was down 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

| | |
|------------------------------|----------------------------------|
| Bel Air Mart | Lees Feed & Western Store |
| Bright Future Technologies | Longs |
| Cameron Park Petroleum | Meeks Building Center |
| Chevron | Mercedes Benz of El Dorado Hills |
| Dawson Oil | Raleys |
| DST Innovis | Safeway |
| Edward R Marszal Enterprises | Safeway Gasoline |
| El Dorado Hills Chevron | Shell/Texaco |
| El Dorado Hills Dodge | Shingle Springs Honda |
| Family Cadillac Chevrolet | Shingle Springs Nissan Subaru |
| Frontier Dental Labs | Sierra at Tahoe |
| K Mart | T J Maxx |
| | Wal Mart |

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

| | 2005-06 | 2006-07 |
|--------------------------|----------------------|----------------------|
| Point-of-Sale | \$8,961,595 | \$9,185,659 |
| County Pool | 1,877,847 | 1,789,184 |
| State Pool | 15,670 | 13,437 |
| Gross Receipts | \$10,855,112 | \$10,988,280 |
| Less Triple Flip* | \$(2,713,778) | \$(2,747,070) |

*Reimbursed from county compensation fund

NOTES

DIRECT ALLOCATION OF USE TAX EXPANDED

With some exceptions, merchandise delivered from an out of state location is subject to Use Tax with the local portion distributed via county or state-wide allocation pools. The revenues are divided among each jurisdiction in the pool based on their pro rata share of taxable sales.

The Board of Equalization's current Regulation 1802 provides an exception by allocating the use tax on purchases exceeding \$500,000 to the jurisdiction of delivery if the order is placed to an out-of-state location and the merchandise is shipped from out of state directly to the buyer.

If the order or sale is negotiated in state, the use tax on the out-of-state merchandise continues to be apportioned via the pools.

Effective January 1, 2008, the Board has agreed to eliminate the in-state participation requirement so that the use tax on transactions delivered from out of state that exceed \$500,000 in value goes to the jurisdiction of use.

The primary benefit for local agencies will be an increase in occasional receipts of use tax from out of state capital purchases made by local businesses and taxpayers.

BOARD TACKLES TAX GAP

Each year the state collects over \$44 billion dollars in state and local tax revenues. They estimate that an additional \$2 billion (the tax gap) goes uncollected.

The largest portion of the tax gap is comprised of unpaid use tax. Out-of-state retailers are not required to collect and remit sales tax if they do not have a physical nexus in California. In these cases, the buyer is responsible for reporting and remitting the corresponding use tax and often fails to do so either purposely or because they are unaware of the requirement.

The second largest component of

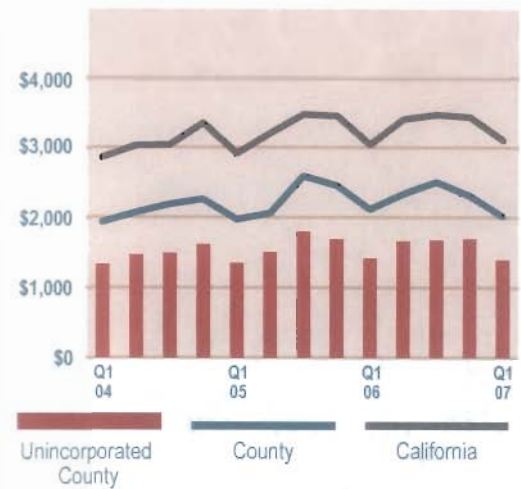
the tax gap lies with the underground economy where transactions are paid by cash and businesses operate without registering in order to avoid taxation. The final component consists of unpaid taxes on sales and purchases that are purposely or inadvertently under reported.

The Board of Equalization has proposed a three year plan to reduce the gap. Elements include additional sharing and utilization of data bases to identify unregistered businesses and/or potential use tax purchases by companies not required to register, additional staffing and technology to improve audit and collection effectiveness, and more field inspections and involvement in special events such as swap meets and auctions.

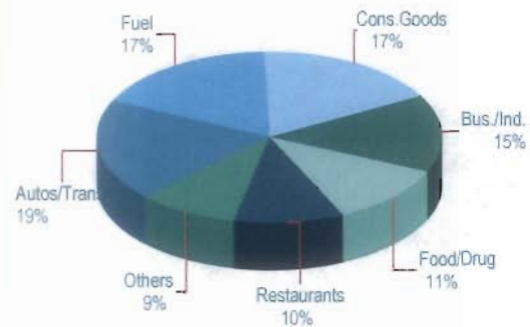
The plan also calls for increased tax preparer education and more effective registration requirements including consolidation of state and local agencies into a one stop registration system.

Copies of the plan can be reviewed at www.boe.ca.gov.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP El Dorado County This Quarter



EL DORADO COUNTY TOP 15 BUSINESS TYPES

| Business Type | Unincorporated County | | County | HdL State |
|---|-----------------------|--------------|--------------|-------------|
| | Q1 '07* | Change | Change | Change |
| Service Stations | \$313.1 | 12.7% | 5.9% | 5.3% |
| New Motor Vehicle Dealers | 262.1 | -0.9% | -7.8% | -3.1% |
| Discount Dept. Stores | — CONFIDENTIAL — | | 3.7% | 5.8% |
| Grocery Stores Liquor | 128.0 | 6.2% | 3.6% | 4.5% |
| Restaurants No Alcohol | 72.8 | -6.3% | -3.2% | 5.8% |
| Contractors | 72.2 | -15.3% | 5.8% | -2.5% |
| Restaurants Beer And Wine | 66.8 | -4.9% | -2.7% | 1.2% |
| Business Services | 59.2 | -41.3% | -40.8% | 11.0% |
| Restaurants Liquor | 56.6 | 33.8% | -3.9% | 10.4% |
| Specialty Stores | 54.7 | 3.4% | -1.0% | 8.7% |
| Light Industrial/Printers | 54.3 | -31.3% | -19.7% | 11.5% |
| Grocery Stores Beer/Wine | 43.6 | -3.1% | -0.8% | 17.5% |
| Drug Stores | 40.8 | 6.8% | 5.9% | 8.3% |
| Sporting Goods/Bike Stores | 40.2 | -7.1% | -1.8% | 20.6% |
| Hardware Stores | 39.5 | 17.9% | 10.0% | -2.3% |
| Total All Accounts | \$2,018.8 | -0.1% | -3.3% | 3.5% |
| County & State Pool Allocation | 394.7 | -1.9% | | |
| Gross Receipts | \$2,413.5 | -0.4% | | |

*in thousands