

Q1 2007



Rancho Cucamonga Sales Tax *Update*

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

Rancho Cucamonga In Brief

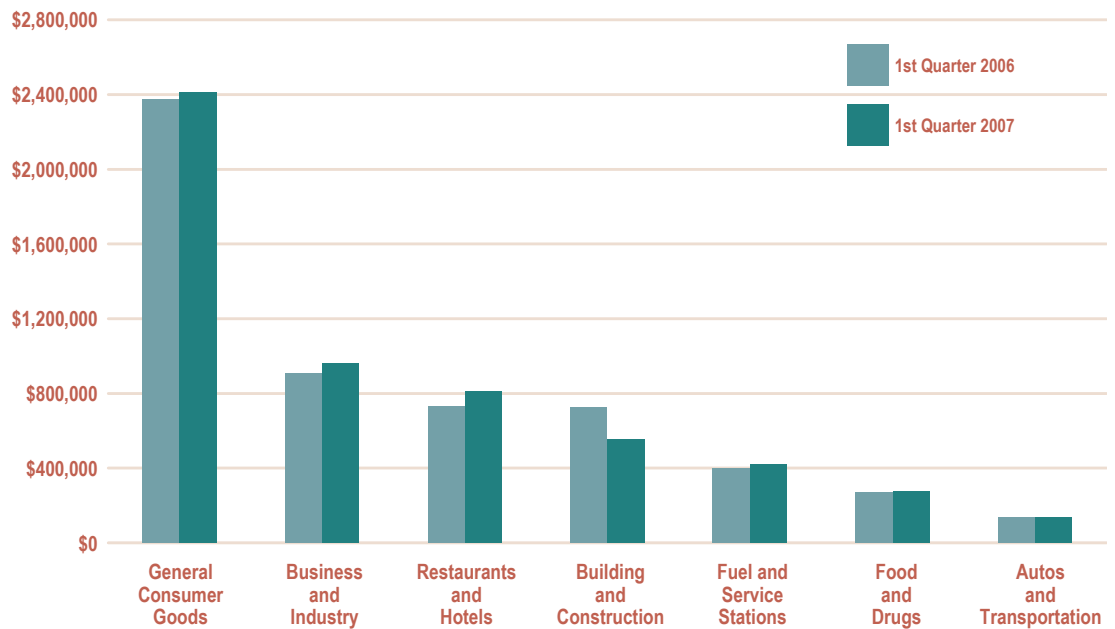
Receipts for Rancho Cucamonga's first quarter sales were 0.6% lower than the same quarter one year ago. Actual sales activity was down 2.3% when reporting aberrations are factored out.

A delayed payment following a Board of Equalization approved extension of tax due dates reduced receipts from lumber/building materials. The city experienced a decline in sales from health/medical and several categories of General Consumer Goods. A business closeout reduced receipts from light industrial/printers.

The losses were partially offset by a strong sales quarter for heavy industrial, service stations, family apparel and women's apparel. Recent additions helped boost revenues from restaurants with liquor.

Gross receipts for all of San Bernardino County increased 1.3% over the comparable time period while the Southern California area, as a whole, was up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ameron International	Novartis Animal Health
Apple Computer	Ralphs
Best Buy	Rancho Mobil
Chevron	Sears Grand
Circuit City	Southwire Company
Costco	Tamco
Day Creek AM PM	Target
Home Depot	Wal Mart
JC Penney	Walters Wholesale Electric
Kayo Oil	West End Material Supply
Kings Fish House	Wickes
Living Spaces Furniture	
Macys	
Mervyns	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$23,036,485	\$24,204,716
County Pool	2,520,516	2,530,544
State Pool	37,622	32,742
Gross Receipts	\$25,594,623	\$26,768,002
Less Triple Flip*	\$(6,398,656)	\$(6,692,001)

*Reimbursed from county compensation fund

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

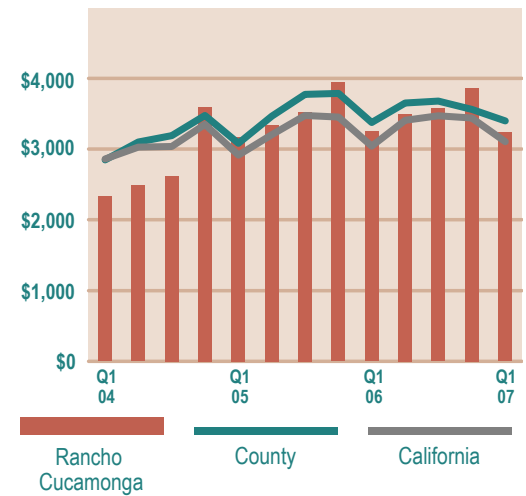
the tax gap lies with the underground economy where transactions are paid by cash and businesses operate without registering in order to avoid taxation. The final component consists of unpaid taxes on sales and purchases that are purposely or inadvertently under reported.

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.

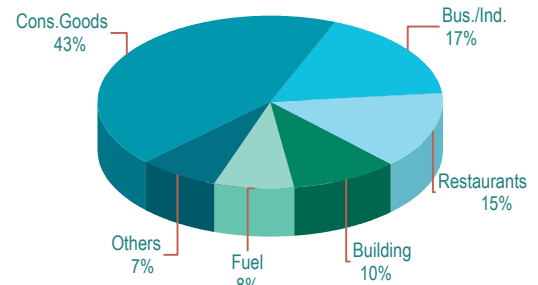
The plan also calls for increased tax preparer education and more effective registration requirements including consolidation of state and local agencies into a one stop registration system.

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

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Rancho Cucamonga This Quarter



RANCHO CUCAMONGA TOP 15 BUSINESS TYPES

Business Type	Rancho Cucamonga		County	HdL State
	Q1 '07*	Change	Change	Change
Discount Dept Stores	\$510.8	-9.1%	3.5%	5.7%
Service Stations	423.0	6.4%	4.6%	5.3%
Home Furnishings	381.0	-2.7%	31.3%	2.6%
Department Stores	363.3	-1.6%	-4.6%	1.9%
Restaurants Liquor	329.5	13.0%	6.0%	10.5%
Electronics/Appliance Stores	315.8	2.1%	-6.0%	0.3%
Restaurants No Alcohol	313.4	8.0%	5.0%	5.8%
Heavy Industrial	260.0	50.0%	23.9%	10.1%
Light Industrial/Printers	235.1	-22.7%	17.3%	10.2%
Contractors	232.1	-6.4%	-5.7%	-3.2%
Lumber/Building Materials	192.3	-50.7%	-37.5%	-23.2%
Family Apparel	183.5	19.4%	15.1%	17.5%
Restaurants Beer And Wine	166.3	14.0%	3.1%	1.1%
Specialty Stores	166.3	6.7%	-1.4%	10.0%
Grocery Stores Liquor	157.3	-2.2%	4.0%	4.5%
Total All Accounts	\$5,575.0	0.7%	2.6%	3.5%
County & State Pool Allocation	554.8	-11.8%		
Gross Receipts	\$6,129.8	-0.6%		<i>*In thousands</i>