

Q2 2007



Rancho Cucamonga Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2007)

Rancho Cucamonga In Brief

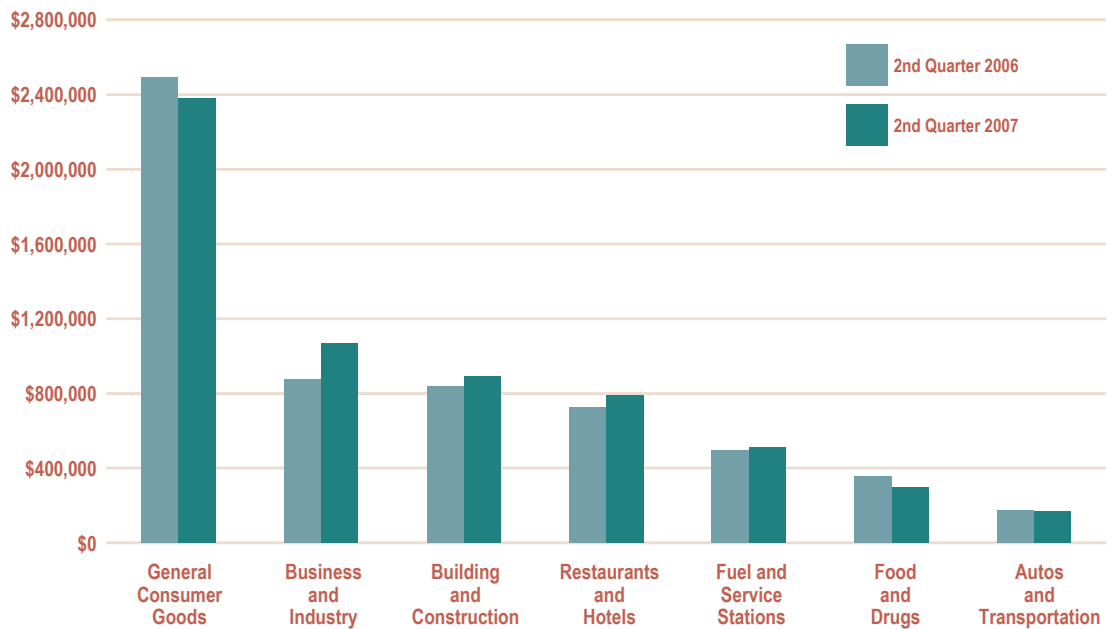
Receipts for sales occurring in the April to June quarter were 2.8% higher than the same period last year but aberrations skewed results. With anomalies removed, actual sales declined 3.5%.

Retroactive adjustments inflated gains in several groups including contractors, repair shop/hand tool rentals, plumbing/electrical supplies and accounted for the rise in textiles/furnishings. Proceeds from new store openings partially offset losses from sluggish sales and more regional competition in discount department stores, home furnishings and electronics/appliance stores. Additional outlets bumped up returns in service stations and restaurant classifications.

The housing slump negatively impacted lumber/building materials while payment deviations skewed results in the family apparel and grocery-related sectors.

Sales for all of San Bernardino County declined 2.9% compared to a year ago while the Southern California region as a whole dipped a mere 0.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ameron International	Lowe's
Ameron Steel Pipe	Macys
Apple Computer	Novartis Animal Health
Arco AM PM Mini Mart	Ontario Winnelson
Best Buy	Rancho Mobil
Chevron	Sears Grand
Circuit City	Southwire Company
Costco	Tamco
Generator Services	Target
Home Depot	Texwood Industries
JC Penney	Wal Mart
Kayo Oil	West End Material Supply
Living Spaces Furniture	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$5,959,553	\$6,114,254
County Pool	656,616	686,991
State Pool	8,152	5,817
Gross Receipts	\$6,624,321	\$6,807,063
Less Triple Flip*	\$(1,656,080)	\$(1,701,766)

*Reimbursed from county compensation fund

SALES TAX, HOUSING AND THE GLOOMY ECONOMY

The combination of declining home sales and prices, foreclosures and tightening credit have created new challenges for local officials in forecasting the impact on sales tax revenues.

Generally, the side effects are expected to be less than the real estate downturn of the 1990s which was accompanied by a national recession, high unemployment and escalating inflation.

Despite layoffs in real estate and home construction, unemployment in California remains relatively low. The weak U.S. dollar has resulted in growing export activity and tourism, and business investment in new technology continues. The impact on sales tax should be more regional and industry specific than in previous down cycles.

Regional

Areas that have enjoyed the highest growth rates in recent years are most likely to exhibit the smallest gains and possibly some revenue declines.

At the peak of the housing boom in 2005, over 10% of the country's disposable income came from home equity loans. The reversal in home values should reduce spending in the Sacramento and Central Valleys, Inland Empire, and some portions of San Diego and the Central Coast.

The San Francisco Bay area and Silicon Valley are benefiting from a strong rebound in the technology sectors and rising tourism, and are expected to out-perform the rest of the state. The experience of other communities will be largely determined by the makeup of their specific tax bases.

Sales Tax by Characteristic

Communities that derive a high percentage of their sales tax revenues from building materials or home improvement merchandise could be impacted more than others as demand and prices drop through 2008. Although auto sales are more brand and dealer specific, this group as a whole,

is expected to continue a downward pattern through spring.

Statewide, sales of general consumer goods including apparel and soft goods are expected to grow 4%, although big ticket items such as furniture and appliances may exhibit regional declines. Department stores and discounters in lower income areas may also be flat or slightly down.

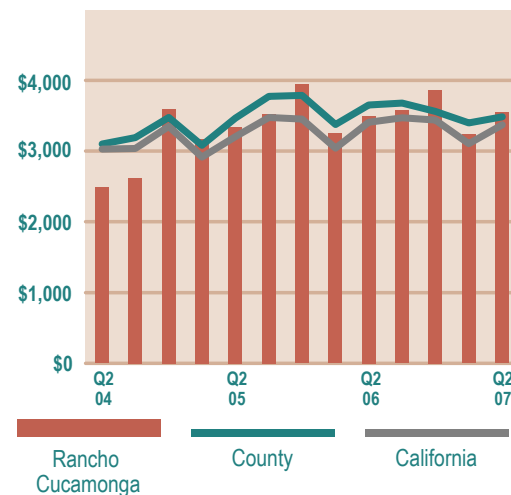
Tax generation from restaurants, service stations, and grocers should continue to show moderate growth. Barring an international crisis, business investment in equipment and technology is expected to remain solid, although potential water and labor shortages may reduce agricultural spending.

The Bottom Line

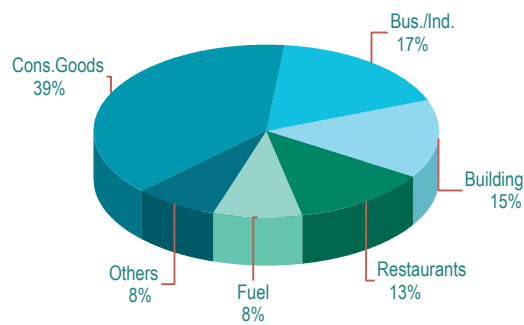
The more media coverage of the housing correction, the more conservative consumers and businesses become in their spending plans. How this plays out will probably not be known until the March 2008 sales tax receipts.

At this point in time however, economists predict slow or modest sales growth but not significant decreases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Rancho Cucamonga This Quarter



RANCHO CUCAMONGA TOP 15 BUSINESS TYPES

Business Type	Rancho Cucamonga		County	HdL State
	Q2 '07*	Change	Change	Change
Service Stations	\$513.7	3.7%	-2.5%	4.2%
Discount Dept Stores	507.3	-15.4%	-1.6%	1.0%
Department Stores	371.5	0.1%	-2.9%	-1.6%
Lumber/Building Materials	359.1	-13.5%	-13.3%	-6.8%
Contractors	346.3	18.6%	-7.8%	0.8%
Restaurants No Alcohol	323.0	10.5%	11.1%	5.7%
Restaurants Liquor	315.9	3.0%	2.9%	13.3%
Home Furnishings	309.0	-13.1%	7.3%	-3.3%
Electronics/Appliance Stores	284.3	-3.7%	-11.2%	1.3%
Light Industrial/Printers	251.5	-0.6%	-12.8%	-2.3%
Family Apparel	194.6	-6.8%	-6.4%	3.2%
Heavy Industrial	192.2	4.3%	-4.5%	6.8%
Specialty Stores	177.8	9.0%	1.6%	0.8%
Grocery Stores Liquor	173.4	-20.2%	-4.5%	-5.5%
Repair Shop/Hand Tool Rentals	153.4	453.1%	5.0%	4.1%
Total All Accounts	\$6,114.3	2.6%	-2.9%	0.3%
County & State Pool Allocation	692.8	4.2%		
Gross Receipts	\$6,807.1	2.8%		<i>*In thousands</i>