

Q2 2007



El Dorado County Sales Tax *Update*

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

El Dorado County In Brief

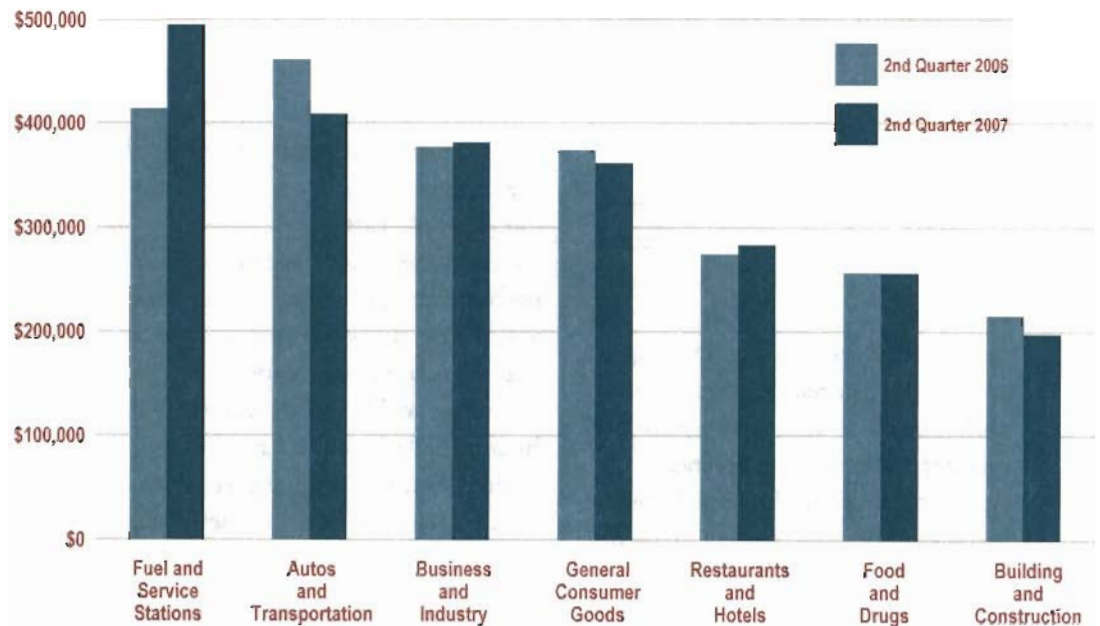
The allocation for the unincorporated area's second quarter sales was 1.2% higher than the same period one year ago.

Recent additions that improved results from service stations, grocery stores with liquor, the light industrial/printers classification and some categories of restaurants were major factors for the gain. A larger share of the countywide sales and use tax pool was also a factor.

The gains were partially offset by business closures that pared revenue from used automotive dealers and a dip in sales of new motor vehicles, contractor supplies and lumber/building materials. Declining receipts affected the business services classification and accounting anomalies temporarily depressed results from restaurants with beer and wine and grocery stores with beer and wine.

Adjusted for aberrations, taxable sales for all of El Dorado County, including the cities, increased 1.8% over the same time period. The Sacramento Region, as a whole, was up 0.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Cameron Park Petroleum	Lees Feed & Western Store
Chevron	Longs
Dawson Oil	Meeks Building Center
DST Innovis	Mercedes Benz of El Dorado Hills
Edward R Marszal Enterprises	Raleys
El Dorado Hills Chevron	Safeway
El Dorado Hills Valero	Safeway Gasoline
Family Cadillac Chevrolet	Shell/Texaco
Golden State Flow Measurement	Shingle Springs Honda
Heavenly Ski Resort	Shingle Springs Nissan Subaru
Hunt & Sons	T J Maxx
K Mart	Tahoe Paradise Chevron
	Wal Mart

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$2,369,884	\$2,381,734
County Pool	443,026	467,163
State Pool	3,466	2,437
Gross Receipts	\$2,816,376	\$2,851,334
Less Triple Flip*	\$(704,004)	\$(712,833)

*Reimbursed from county compensation fund

NOTES

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.

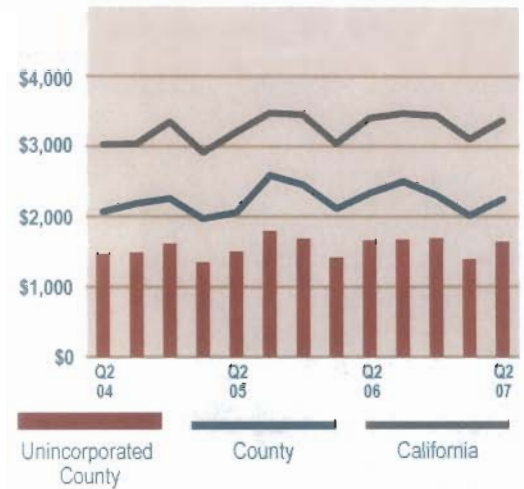
Tax generation from restaurants, service stations, and grocers should continue to show moderate growth. Barring an international crisis, business investment in equipment and technology is expected to remain solid, although potential water and labor shortages may reduce agricultural spending.

The Bottom Line

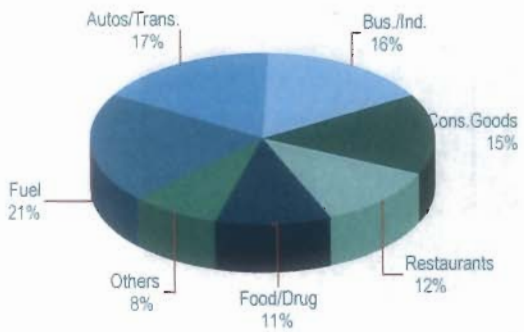
The more media coverage of the housing correction, the more conservative consumers and businesses become in their spending plans. How this plays out will probably not be known until the March 2008 sales tax receipts.

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

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
El Dorado County This Quarter



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q2 '07*	Change	Change	Change
Service Stations	\$447.7	21.2%	16.3%	4.2%
New Motor Vehicle Dealers	261.5	-5.1%	-1.1%	-7.3%
Discount Dept Stores	— CONFIDENTIAL —		-0.7%	1.0%
Grocery Stores Liquor	142.1	9.1%	5.5%	-5.4%
Restaurants No Alcohol	88.6	4.6%	9.7%	5.8%
Business Services	83.9	-11.3%	-12.1%	-4.4%
Contractors	82.1	-18.5%	-7.3%	0.6%
Light Industrial/Printers	77.2	41.7%	22.2%	-4.7%
Restaurants Beer And Wine	75.7	-8.1%	-7.7%	2.1%
Specialty Stores	58.7	3.6%	-5.1%	1.2%
Restaurants Liquor	57.8	16.0%	-5.7%	13.4%
Automotive Supply Stores	51.8	-0.8%	6.3%	-0.2%
Hardware Stores	51.5	0.9%	-5.7%	-10.0%
Grocery Stores Beer/Wine	51.5	-16.2%	-13.9%	1.2%
Lumber/Building Materials	48.3	-10.7%	3.0%	-7.0%
Total All Accounts	\$2,381.7	0.5%	-2.3%	0.3%
County & State Pool Allocation	469.6	5.2%		
Gross Receipts	\$2,851.3	1.2%		

*In thousands