Q3 2007

City of Paso Robles Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2007)

Paso Robles In Brief

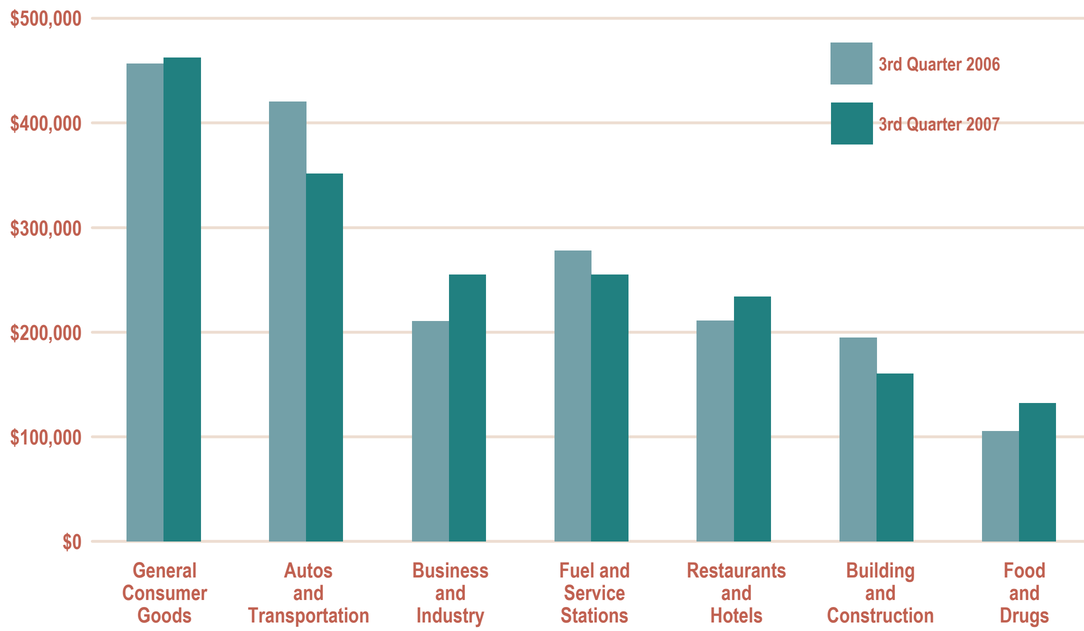
The allocation from Paso Robles' July through September sales was 1.2% lower than the same quarter one year ago. Actual sales activity was down 4.2% when reporting aberrations are factored out.

A decline in the sales of new autos, RVs, lumber/building materials and bulk fuel products was the primary contributor to the decrease.

The losses were offset by previous new additions to the restaurant, service station and supermarket classifications. Onetime payments that temporarily inflated receipts from boats/motorcycles, contractor materials and some categories of business sales further contributed to the offset.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County decreased 2.6% over the comparable time period while the Central Coast as a whole was down 2.3%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- Albertsons
- AM PM Mini Mart
- Bay Area Diablo Petroleum
- Big Creek Lumber
- Delta Credit West
- Farm Supply
- Golden Hill Mobil
- Idlers
- Jack in the Box
- JB Dewar
- Kohls
- Orchard Supply Hardware
- Paso Robles Ford Lincoln Mercury
- Paso Robles GMC Truck
- Pete Johnston GM
- Powerhouse Motorsports Group
- Reneau Chrysler Dodge
- Ross
- San Luis Bay Suzuki Kia
- Sky River
- South Paso Chevron
- Target
- Valero Corner
- Wal Mart
- Woodland Chevron

Revenue Comparison

Two Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	$3,671,787	$3,677,970
County Pool	410,801	437,716
State Pool	4,774	251
Gross Receipts	**$4,087,363**	**$4,115,937**
Less Triple Flip*	$(1,021,841)	$(1,028,984)

**Reimbursed from county compensation fund*

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NOTES

STATEWIDE SALES DECLINE

Further Decreases Anticipated

After adjusting for accounting aberrations, taxable sales during July through September declined 2.9% from the same quarter of 2006.

The inland regions of the state tended to trail the coastal regions. Only San Francisco and portions of the Silicon Valley posted significant gains.

Autos, lumber/building materials and fuel were the primary losers. New car receipts were down 13.3% from the same quarter one year ago while revenues from building/construction materials dropped 11.3% and fuel 6.1%.

Back to school shopping helped boost family apparel sales for the quarter but the gains were largely offset by a drop in demand for home furnishings and large appliances. Receipts from general consumer goods as a whole ended at only 0.7% higher than the third quarter of 2006.

Restaurants continued to be a source of growth exhibiting a 3.9% statewide gain over third quarter 2006 with even larger increases in the North Bay and Central Coast regions.

Capital purchases by manufacturers/exporters of high tech equipment and supplies also helped offset other declines with gains in business-to-business sales second only to the restaurant group.

The Remaining Fiscal Year …

Fourth quarter sales results will not be available until the end of March. Preliminary reports indicate that holiday spending on general consumer goods increased only 2.2% over 2006 but that redemption of gift cards could boost January-February sales more than had been anticipated. Further declines are expected in receipts from auto sales.

Prognostications for 2008 are blurred by wide differences among economists on how much further the economy will drop and on when a recovery might begin. However, most agree that the decline will continue through at least the first half of 2008 and possibly longer.

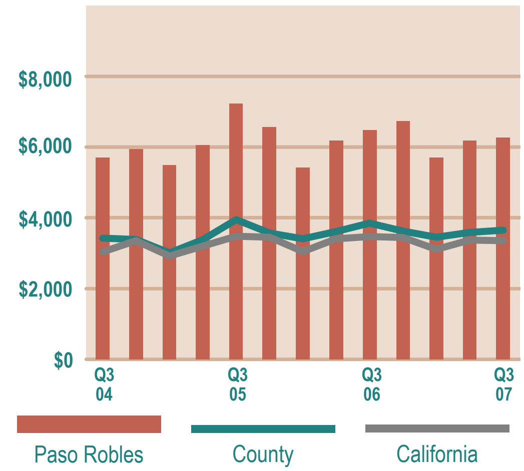
Analysts predict a further decrease of 6.0% to 6.5% in auto sales in 2008 with a recovery in that sector not expected until mid 2009. Sales of general consumer goods are expected to grow only 2.0% to 2.5% overall with solid gains in electronics but weakening performance for apparel, mid-tier department stores and mall shops.

Building and construction material sales could bottom out in mid 2008 with commercial, utility and public construction projects helping offset further losses from housing construction setbacks. However, a recovery in housing construction will be more gradual and is not expected until late 2010 or 2011.

Business-to-business sales may level off in the first half of 2008 but, as long as export demand stays strong, analysts do not expect actual declines.

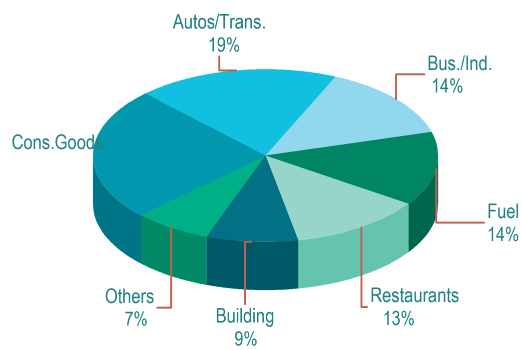
As always, the trends for an individual jurisdiction will vary with the specific make-up of its tax base.

Sales Per Capita



Revenue by Business Group

Paso Robles This Quarter



Paso Robles Top 15 Business Types

Business Type	Paso Robles Q3 '07*	Paso Robles Change	County Change	HdL State Change
Discount Dept Stores	— CONFIDENTIAL —		-1.0%	3.5%
Service Stations	187.9	-5.9%	-9.2%	-5.8%
New Motor Vehicle Dealers	169.4	-27.4%	-19.7%	-12.6%
Restaurants No Alcohol	99.0	-1.3%	4.6%	3.4%
Restaurants Liquor	70.0	48.4%	2.9%	13.1%
Petroleum Prod/Equipment	64.6	-15.7%	4.9%	4.8%
Grocery Stores Liquor	58.8	-3.6%	-1.1%	0.0%
Trailers/RVs	54.9	-23.7%	-14.5%	-11.3%
Family Apparel	53.8	0.7%	10.1%	7.6%
Lumber/Building Materials	53.7	-39.9%	-33.9%	-27.4%
Restaurants Beer And Wine	51.3	-6.7%	-1.7%	-0.8%
Garden/Agricultural Supplies	42.5	2.8%	13.0%	-5.7%
Contractors	41.8	30.4%	-20.0%	-11.1%
Boats/Motorcycles	39.6	112.9%	20.7%	-10.4%
Automotive Supply Stores	39.1	-5.3%	5.7%	-2.3%
Total All Accounts	**$1,850.9**	**-1.5%**	**-4.5%**	**-2.2%**
County & State Pool Allocation	**217.3**	**0.8%**		
Gross Receipts	**$2,068.2**	**-1.2%**		

*In thousands