

Q1 2007



City of Lodi Sales Tax *Update*

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

Lodi In Brief

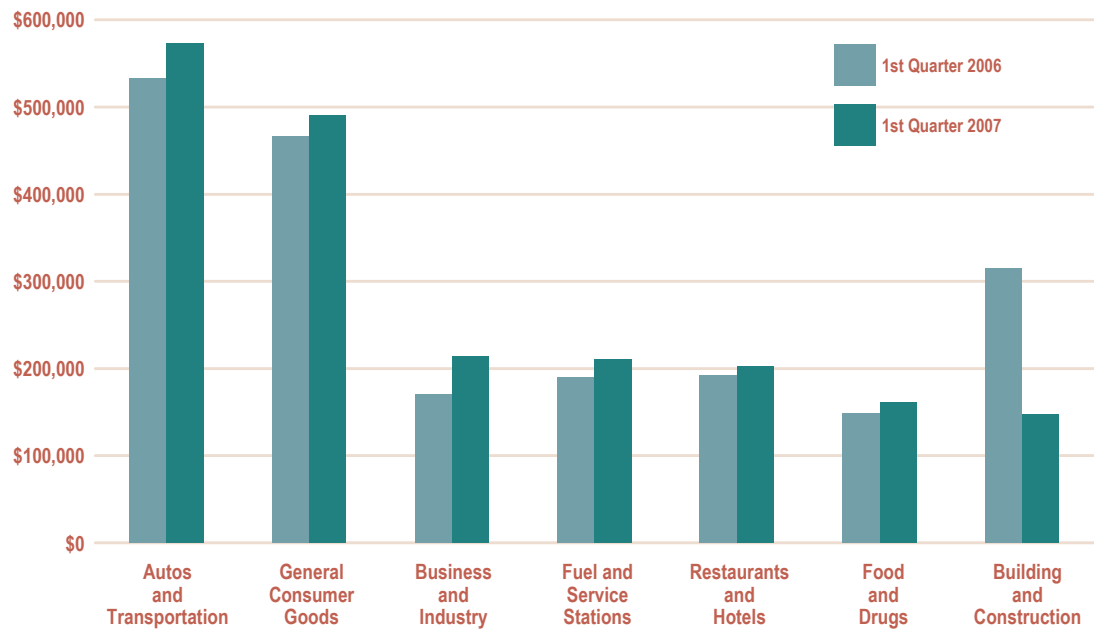
The allocation from Lodi's January through March sales was 2.0% less than the same quarter one year ago.

Decreased sales from new auto dealerships and specialty stores were partially responsible for the decrease. A onetime payment that temporarily inflated last year's allocation and a recent closeout were responsible for the decrease in contractors. A delayed allocation temporarily reduced receipts from restaurants with beer and wine.

The losses were offset by higher fuel prices and increased sales from grocery stores with liquor, used auto dealers, auto supply stores and some categories of General Consumer Goods. Recent additions increased revenues from restaurants with no alcohol, restaurants with liquor and heavy industrial. Comparisons of light industrial/printers and drug stores were temporarily inflated by onetime accounting adjustments.

Gross receipts for all of San Joaquin County decreased 1.5% over the comparable time period while the San Joaquin Valley as a whole was up 0.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

AJs AM PM Mini Mart	Orchard Supply Hardware
Bens Appliance Lighthouse & Hearth	Plummer Pontiac Cadillac GMC
Food 4 Less	Sanborn Chevrolet
Foster Lumber	Schaefer Systems
Geweke Ford	Smart Foods
Geweke Lodi Dodge Chrysler	Staples
Geweke Toyota	Target
K Mart	USA Gasoline
Kettleman Chevron	USA Petroleum
Kludt & Sons Petroleum	Valley Vineyard Orchard Supply
Lodi Honda	Villa Truss
Mervyns	Wal Mart
	West Coast Motors

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$9,111,950	\$9,060,784
County Pool	991,843	1,025,612
State Pool	14,643	12,324
Gross Receipts	\$10,118,436	\$10,098,721
Less Triple Flip*	\$(2,529,609)	\$(2,524,680)

*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

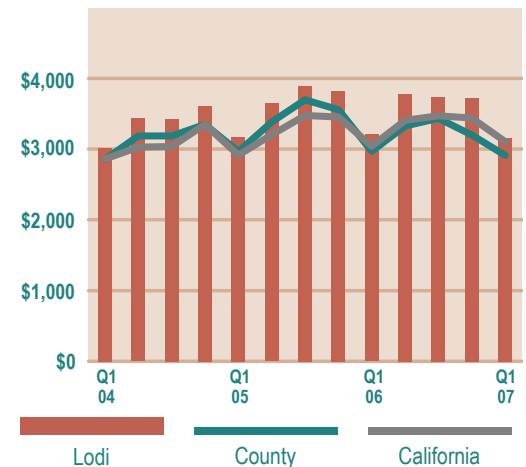
the tax gap lies with the underground economy where transactions are paid by cash and businesses operate without registering in order to avoid taxation. The final component consists of unpaid taxes on sales and purchases that are purposely or inadvertently under reported.

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.

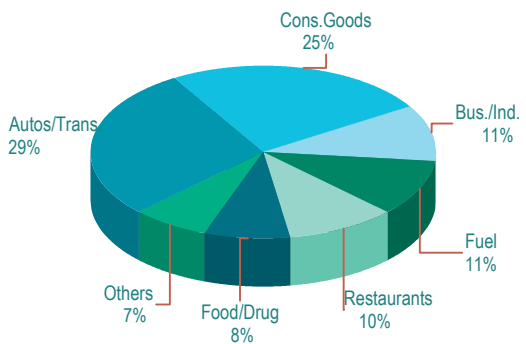
The plan also calls for increased tax preparer education and more effective registration requirements including consolidation of state and local agencies into a one stop registration system.

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

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Lodi This Quarter



LODI TOP 15 BUSINESS TYPES

Business Type	Lodi		County	HdL State
	Q1 '07*	Change	Change	Change
New Motor Vehicle Dealers	\$395.0	-0.2%	-9.8%	-3.2%
Discount Dept Stores	— CONFIDENTIAL —		1.6%	5.8%
Service Stations	175.3	9.3%	8.6%	5.3%
Restaurants No Alcohol	102.5	8.1%	8.0%	5.8%
Grocery Stores Liquor	73.4	5.2%	3.5%	4.5%
Contractors	67.7	-31.3%	0.2%	-3.5%
Restaurants Liquor	58.9	7.0%	0.7%	10.4%
Used Automotive Dealers	58.8	82.8%	-0.8%	3.5%
Light Industrial/Printers	56.4	88.9%	40.9%	11.4%
Automotive Supply Stores	49.6	2.5%	13.2%	4.4%
Department Stores	44.1	4.3%	3.5%	1.7%
Restaurants Beer And Wine	41.3	-0.6%	-0.7%	1.2%
Specialty Stores	41.3	-1.6%	2.6%	10.0%
Heavy Industrial	39.5	37.7%	34.8%	9.2%
Drug Stores	38.9	27.2%	8.3%	8.2%
Total All Accounts	\$1,999.0	-0.8%	-0.3%	3.5%
County & State Pool Allocation	225.8	-11.5%		
Gross Receipts	\$2,224.8	-2.0%		<i>*In thousands</i>