



City of Canyon Lake Sales Tax *Update*

Fiscal Year Receipts for April '07 to March '08 Sales

Canyon Lake In Brief

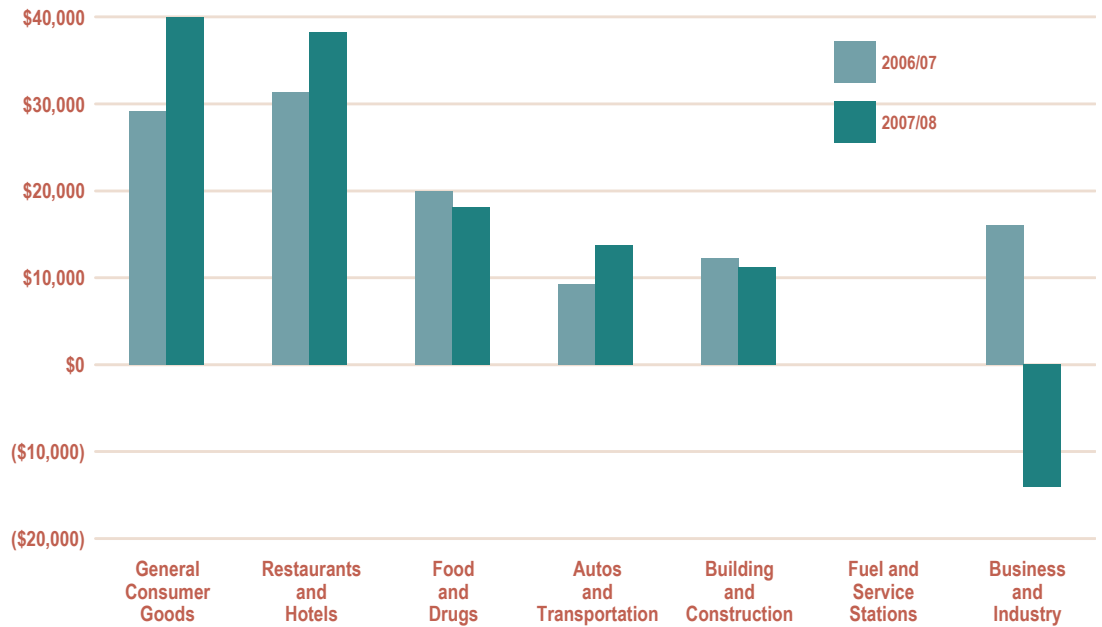
Canyon Lake's sales and use tax receipts in 2007/08 were 10.3% lower than in 2006/07 but reporting aberrations skewed the data. With anomalies factored out, actual results were up 0.3%.

General Consumer Goods, up most in dollar terms, benefited from a new business addition and from late-arriving receipts from prior year sales. A retroactive payment correction following an audit by the State Board of Equalization inflated Autos & Transportation totals. A similar one-time payment caused the increase in the Restaurants & Hotels group, where actual sales were down from the previous year.

State takeaways to correct a border error sharply reduced Business & Industry proceeds and cut sales tax receipts overall. The last of these adjustments was made at the close of the fiscal year. Food & Drug sales were weaker than in the comparison year.

With payment aberrations excluded, all of Riverside County fell 3.2%; the state was down 0.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

AA Great American Golf Cars	IPC Industries
Amatos	Jensen Doors
As Pizza	Lake House
CA Erosion Control Products	Peaceful Playgrounds
Canyon Lake Country Club	Pepes Mexican Restaurant
Canyon Lake Market	R & R Boat Sales
Canyon Lake Property Owners Assn	Robert J Steiner
Cornwell Tools	Secure Detention Products
Dominos Pizza	Sports Stop Pub & Grill
Durable Medical Equipment	Stop N Go
European Custom Carpets	Support Product Services
Golding Publications	Village Lights
	Visual Impact Promotions

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$117,946	\$107,193
County Pool	13,239	10,305
State Pool	160	62
Gross Receipts	\$131,345	\$117,560
Less Triple Flip*	\$(32,836)	\$(29,390)

*Reimbursed from county compensation fund

CALIFORNIA OVERALL

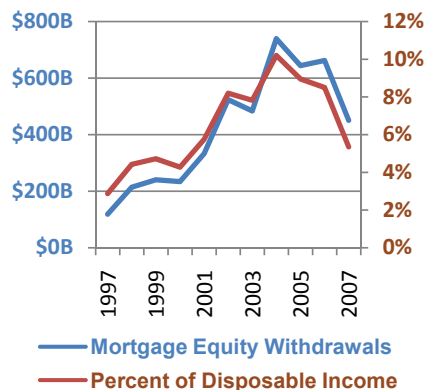
Statewide sales tax receipts for January through March sales dropped 4.5% from the same quarter of 2007 when reporting aberrations were factored out. The decline continued to be led by new car sales which were down 18.6%. Building-related materials posted a decrease of 14.3% while general consumer goods dropped 5.4%.

Previous predictions that this quarter would be at the bottom after the spending bubble burst are beginning to fade. Auto dealers report continuing slides and the International Council of Shopping Centers predicts 2008's store closings to be the most since 2001. The UCLA Anderson Forecast is that the economy will be sluggish for at least another 18 months.

SALES TAX AND THE HOUSING BUBBLE

A new Harvard University study provides some insight into the impact that the housing slump has on consumer spending. The researchers concluded that the combined effects of fewer home starts and falling prices cut national economic growth by almost 1.5% in 2007.

In addition to the "reverse multiplier" effect that lost wages in the construction industry has had on consumer spending, the decline in home prices has substantially reduced the amount of discretionary spending that occurred from borrowing against the rising market value of homes.



These cash-outs, referred to as "Mortgage Equity Withdrawals" (MEWs), fell from a high of 10% of the country's personal disposable income in

2004 to approximately 2% in the first quarter of this year.

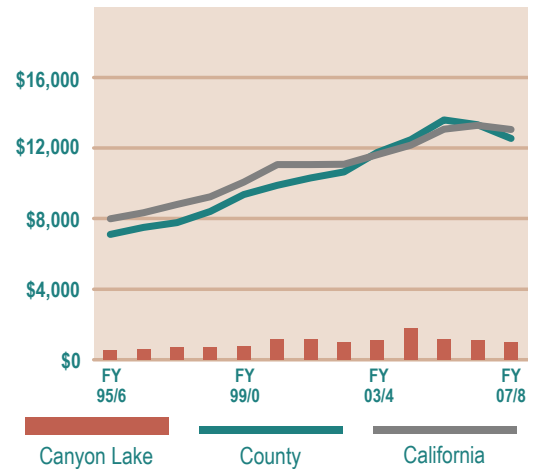
Consumer spending tends to lag changes in income, both up and down. As MEWs fell in the latter half of 2007, consumers used their credit cards to continue spending. Credit card companies, including American Express, now report alarming rises in late payments suggesting that many consumers are about tapped out.

An example of Harvard's conclusion that homeowners' disposable spending is partially related to changes in home values recently came from Home Depot. The company attributes its current decline to the fact that 50-60% of its sales are normally from major improvement projects that customers are deferring as home values slip.

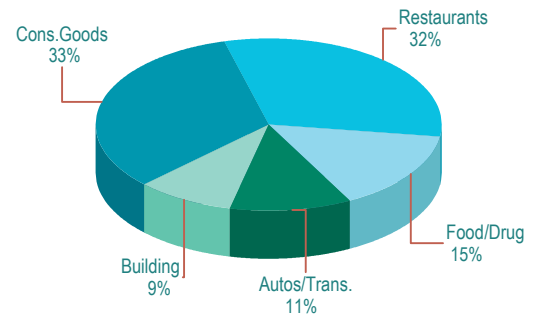
Analysts, including Chapman University's, are predicting that housing prices will continue to drop into 2009. If this is so, it adds another gloomy aspect to the timing for a recovery in sales tax growth.

The full Harvard study can be reviewed at www.jchs.harvard.edu/.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Canyon Lake This Fiscal Year



CANYON LAKE TOP 15 BUSINESS TYPES

Business Type	Canyon Lake		County	HdL State
	2007/2008	Change	Change	Change
Restaurants Beer And Wine	— CONFIDENTIAL —	—	-3.9%	-1.4%
Transportation-Non-Auto	— CONFIDENTIAL —	—	9.7%	8.7%
Boats/Motorcycles	— CONFIDENTIAL —	—	-16.0%	-14.0%
Specialty Stores	11,594	0.7%	-2.0%	0.5%
Restaurants No Alcohol	10,142	-25.9%	0.1%	3.4%
Stationery/Book Stores	9,660	98.4%	-4.8%	-1.9%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	-4.5%	-0.3%
Grocery Stores Liquor	— CONFIDENTIAL —	—	-2.1%	0.4%
Home Furnishings	8,421	23.9%	-11.8%	-6.7%
Light Industrial/Printers	7,283	1.3%	-2.8%	-0.1%
Clubs/Amusement Places	— CONFIDENTIAL —	—	-4.2%	0.2%
Hardware Stores	— CONFIDENTIAL —	—	-15.9%	-11.0%
Restaurants Liquor	— CONFIDENTIAL —	—	9.4%	10.3%
Variety Stores	— CONFIDENTIAL —	—	4.2%	4.1%
Lumber/Building Materials	— CONFIDENTIAL —	—	-10.8%	-8.2%
Total All Accounts	\$107,193	-9.1%	-3.2%	-0.7%
County & State Pool Allocation	10,367	-22.6%		
Gross Receipts	\$117,560	-10.5%		