

Q4 2008



El Dorado County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

El Dorado County In Brief

The county's allocation of sales and use tax revenues from the unincorporated area's October through December sales were 15.9% lower than the same quarter one year ago.

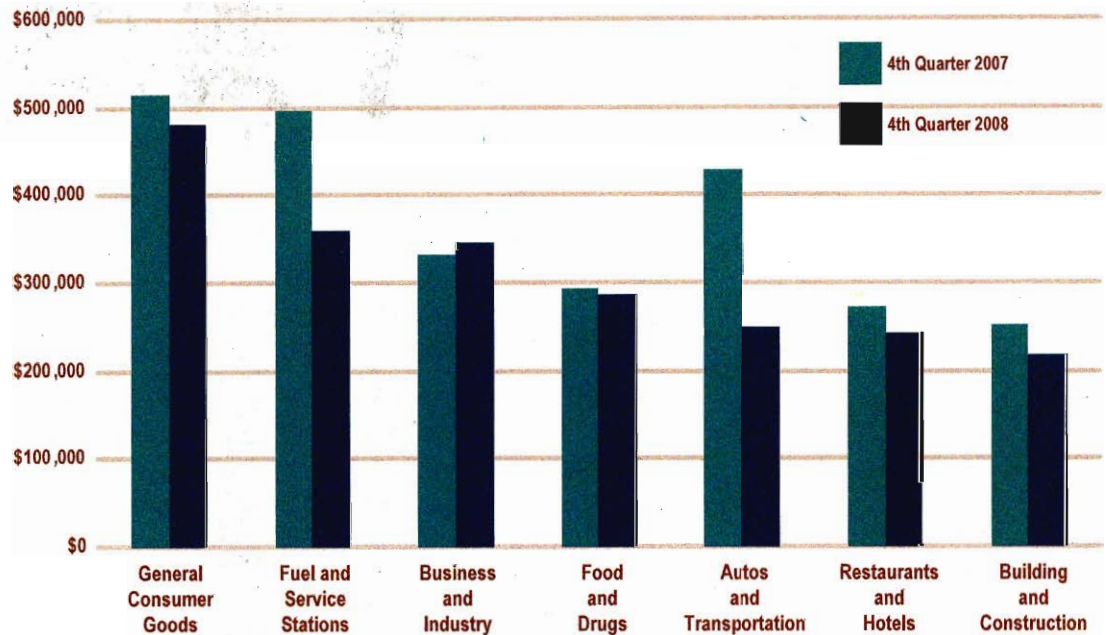
Dealership closures added to the persistent deterioration in new auto sales. Sales activity slumped in consumer goods while late allocations contributed to the decline in service stations due to lower prices.

Multiple aberrations exaggerated the loss in restaurants and building and construction materials.

The gain in the only group showing positive returns was a result of temporary deviations. Once adjusted for these onetime events, business to business sales declined 8.2%.

Adjusted for reporting aberrations, taxable sales for all of El Dorado County and its cities dropped 14% over the comparable time period while the Sacramento region as a whole was down 11.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Bel Air Mart	Longs Drug Store
Bright Future Technologies	Meeks Building Center
Cameron Park Petroleum	Mercedes Benz of El Dorado Hills
Chevron	Micnan Food Mart
DST Innovis	Nugget Market
El Dorado Hills Chevron	Raleys
Family Cadillac Chevrolet	Safeway
Frontier Dental Labs	Safeway Gasoline
Golden State Flow Measurement	Shingle Springs Honda
Heavenly Ski Resort	Shingle Springs Nissan Subaru
K Mart	T J Maxx
Lees Feed & Western Store	Target
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$7,347,164	\$7,133,599
County Pool	1,341,740	1,206,974
State Pool	3,677	3,199
Gross Receipts	\$8,692,581	\$8,343,772
Less Triple Flip*	\$(2,173,145)	\$(2,085,943)

*Reimbursed from county compensation fund

NOTES

Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003. The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot. This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

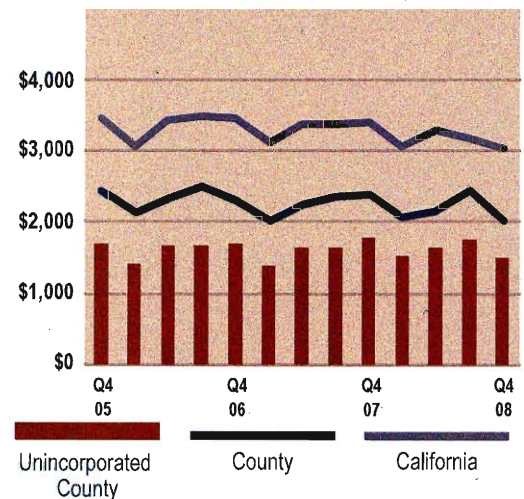
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

SALES PER CAPITA



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q4 '08*	Change	Change	Change
Service Stations	\$325.9	-26.8%	-26.1%	-23.1%
Discount Dept Stores	—	CONFIDENTIAL	-6.3%	-3.3%
Grocery Stores Liquor	176.3	3.4%	0.9%	0.7%
New Motor Vehicle Dealers	170.6	-43.5%	-42.4%	-36.4%
Contractors	140.3	-7.2%	-12.7%	-15.6%
Business Services	82.4	23.0%	16.7%	-20.2%
Restaurants No Alcohol	76.4	-5.3%	-4.9%	1.3%
Restaurants Liquor	76.2	4.6%	-5.6%	-1.0%
Specialty Stores	54.8	1.7%	3.2%	-7.2%
Restaurants Beer And Wine	54.6	-20.7%	-11.5%	-6.8%
Light Industrial/Printers	49.3	1.4%	10.3%	11.3%
Grocery Stores Beer/Wine	47.3	-16.9%	-14.6%	-7.9%
Drug Stores	46.4	-6.6%	-5.8%	-1.4%
Lumber/Building Materials	41.2	-24.4%	-15.1%	-12.4%
Automotive Supply Stores	38.4	-11.0%	-9.2%	-3.6%
Total All Accounts	\$2,182.6	-15.8%	-15.1%	-10.3%
County & State Pool Allocation	381.7	-16.2%		
Gross Receipts	\$2,564.4	-15.9%		

*In thousands