

Q2 2009



El Dorado County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2009)

El Dorado County In Brief

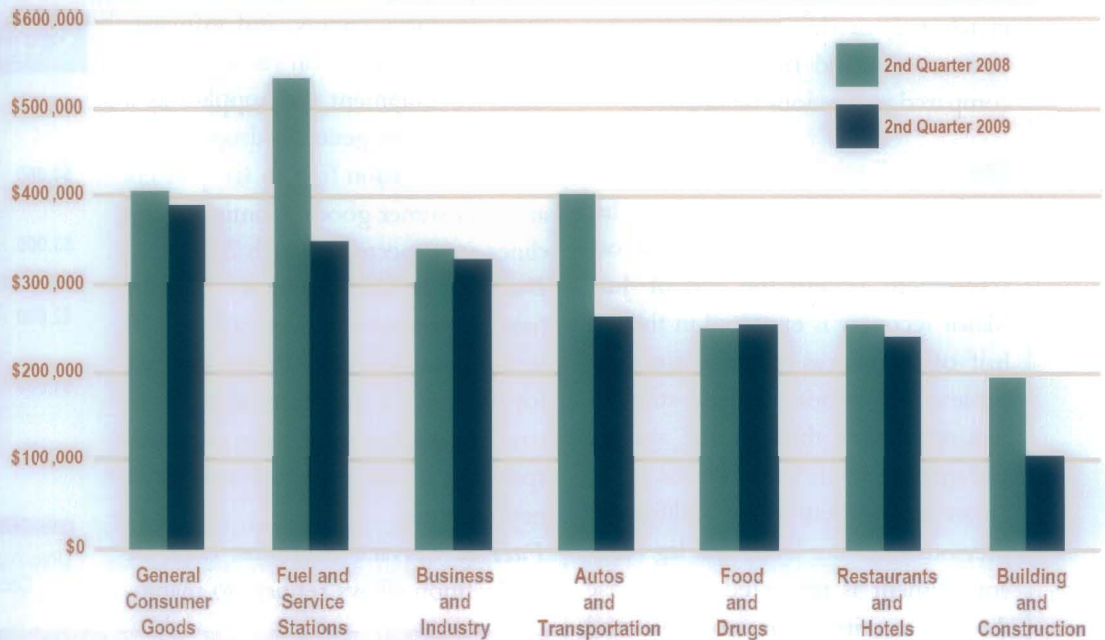
Receipts for the unincorporated area's April through June sales were 20.5% lower than the same quarter one year ago. Actual sales activity was down 20.8% when reporting aberrations were factored out.

Previous business closures compounded the sales declines from new autos and lumber/building materials. Sales declines also reduced receipts from contractor supplies, hardware stores, and restaurants with beer/wine. An accounting adjustment exaggerated the decrease from business services. Late payments in the current period inflated the declines from specialty stores and restaurants with liquor. The drop in fuel prices and consumption reduced receipts from the Fuel & Service Stations sector.

The losses were partially offset by a strong sales quarter from office equipment. Receipts from light industrial/printers were temporarily inflated by the double-up of previously late payments.

Adjusted for aberrations, taxable sales for all of El Dorado County, including its cities, declined 20.8% over the comparable time period, while the Sacramento region as a whole was down 19.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Cameron Park Petroleum	Lees Feed & Western Store
Chevron	Meeks Building Center
Crystal View Station	Mercedes Benz of El Dorado Hills
CVS	Nugget Market
Dawson Oil	Raleys
DST Innovis	Safeway
Edward R Marszal Enterprises	Safeway Gasoline
El Dorado Hills Chevron	Shingle Springs Honda
Family Cadillac Chevrolet	Shingle Springs Nissan Subaru
Frontier Dental Labs	TJ Maxx
Golden State Flow Measurement	Target
K Mart	Tooley Oil
	Wal Mart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$2,385,690	\$1,937,313
County Pool	470,672	331,599
State Pool	(678)	2,050
Gross Receipts	\$2,855,684	\$2,270,962
Less Triple Flip*	\$(713,921)	\$(567,741)

*Reimbursed from county compensation fund

Statewide Trends

Adjusted for accounting aberrations, the local portion of California's sales and use tax for transactions occurring April through June were 18.4% lower than last year's comparable quarter.

All categories and regions were down with receipts from fuel, automobiles, business supplies, and construction materials exhibiting the largest reductions. This is the eighth consecutive quarter of statewide declines but subsequent reductions should become increasingly moderate as the economy bottoms out and future quarters are compared to previous record lows.

The Climb Back Up

Statistically most economists agree that the national recession bottomed out somewhere around the end of July. Minor recovery is expected in the last half of the year as companies restock depleted inventories, federal stimulus programs filter through the system, and investor confidence returns.

However, restoration of California's previous sales tax levels will lag. Unemployment is projected to increase through the first quarter of 2010 and remain weak for several quarters after. Incomes are flat, household wealth has been exhausted, inflation is in decline, and the drops in property values are not over. Lenders are less risk tolerant and previously excessive borrowers have become disciplined savers.

The California Budget Project recently concluded that it took six years for the average household to fully rebound from the jobless recovery following the recession of 2001. New consumer frugality, tight credit, and moderate job growth may result in an equally slow recovery from this recession.

Prognostications for key segments:

General Consumer Goods – Sales of personal electronics remain solid but consumers are focusing on price and necessities when it comes to apparel and other merchandise. Weak back-to-school sales and limited credit

for new stock have retailers planning lean inventories for the holiday season which is projected to be flat with only modest gains through 2010.

Transportation – Cash-for-clunkers stimulated new car sales but largely borrowed from the next two quarters. Significant recovery is not expected until the 2011 models arrive. RV, boat, and motorcycle sales may languish until the return of full employment.

Business & Industry – Sales to health providers and manufacturers of food products, energy, and information technology remain stable. Investment in equipment and supplies as a whole however, generally drops in and out of a recession four to six quarters after consumer goods. Continued declines are expected through 2010.

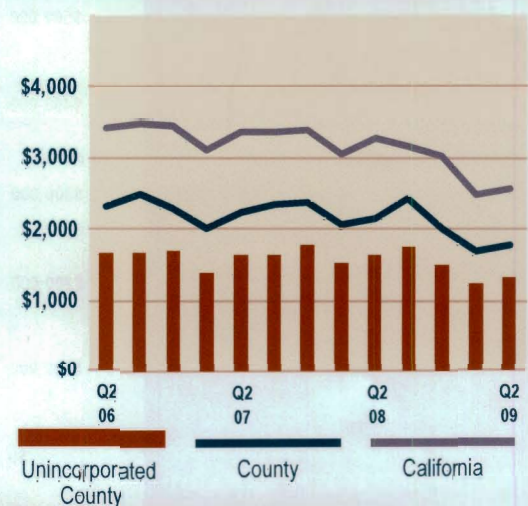
Building & Construction – Benefits from the stimulus package will be offset by state cutbacks. Projections are for weak office and commercial construction. Modest recovery in overall spending is not expected until after next summer.

Fuel & Service Stations – Lack of competition allows refiners to manip-

ulate costs of the state's environmentally friendly summer blend, but overall receipts are expected to stabilize after next quarter's comparison with the previous year's record price spike.

Grocers & Restaurants – Intense price competition has kept receipts from grocers' taxable goods down while higher-end restaurants continue to experience reduced patronage. Revenues are expected to remain flat for the next five to six quarters.

SALES PER CAPITA



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q2 '09*	Change	Change	Change
Service Stations	\$324.9	-33.2%	-30.3%	-36.8%
Discount Dept Stores	—	CONFIDENTIAL	0.3%	-4.7%
New Motor Vehicle Dealers	150.2	-47.6%	-40.7%	-32.7%
Grocery Stores Liquor	141.0	-1.9%	-2.8%	-2.6%
Restaurants No Alcohol	72.3	3.2%	3.9%	2.9%
Light Industrial/Printers	69.4	219.0%	97.1%	-27.2%
Restaurants Liquor	68.9	-12.6%	0.4%	-5.1%
Business Services	65.8	-27.4%	-42.5%	-32.2%
Restaurants Beer And Wine	64.8	-7.9%	-6.2%	-12.5%
Grocery Stores Beer/Wine	49.3	15.0%	9.8%	-18.5%
Garden/Agricultural Supplies	45.5	-5.2%	-0.8%	-7.7%
Drug Stores	44.7	-2.2%	-3.7%	0.2%
Specialty Stores	43.9	-34.8%	-31.2%	-12.3%
Automotive Supply Stores	40.7	-4.1%	-5.8%	-5.6%
Auto Repair Shops	37.0	2.8%	-0.1%	-13.8%

Total All Accounts	\$1,937.3	-18.8%	-17.2%	-21.2%
County & State Pool Allocation	333.6	-29.0%		
Gross Receipts	\$2,271.0	-20.5%		<i>*In thousands</i>