

Q3  
2009



# Nevada City Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2009)

## Nevada City In Brief

The allocation from Nevada City's July through September sales tax was 39.4% less than the same quarter one year ago.

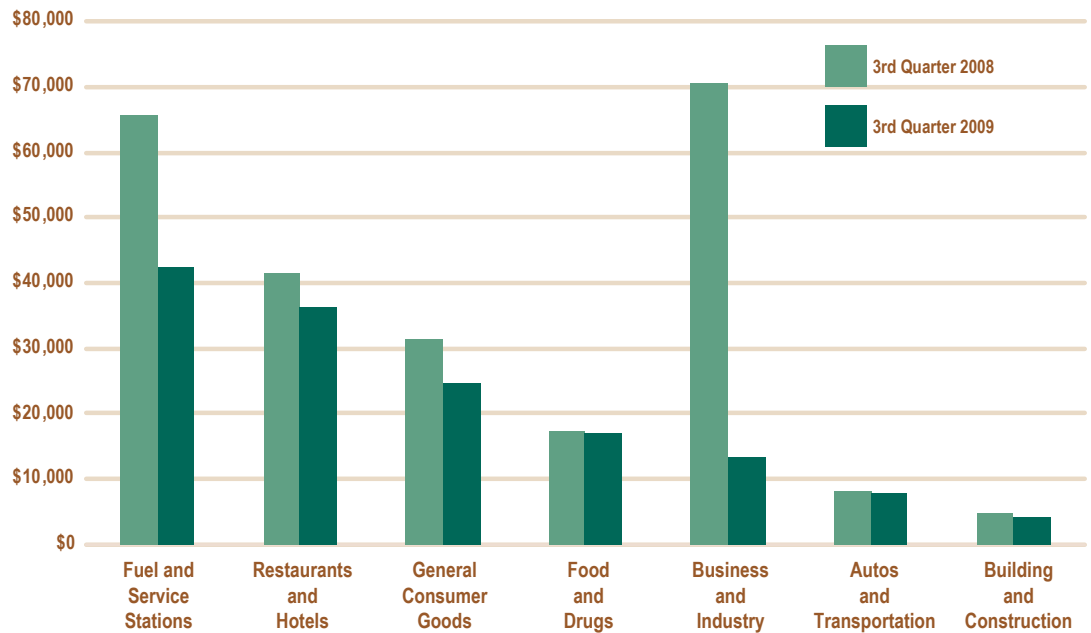
Lower fuel prices and decreased sales from restaurants with liquor, specialty stores, women's apparel, contractors, heavy industrial, restaurants with no alcohol, jewelry stores and some categories of Autos & Transportation and Food & Drugs were partially responsible for the decrease. Delayed allocations temporarily reduced receipts from restaurants with beer and wine and electrical equipment.

Voter-approved Measure S generated \$127,991 in revenue which is 20.8% less than the same quarter one year ago.

The losses were offset by increased sales from auto repair shops and sporting goods/bike stores.

Adjusted for reporting aberrations, taxable sales for Nevada County decreased 19.7% over the comparable time period while the Far North as a whole was down 15.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Bonanza Market	New Moon Cafe
C Craig Creasey	Port of Subs
D D S	Express Market
Cirinos	Posh Nosh
D & D Supply	Restaurant
Earth Song Market & Cafe	Riebes Auto Parts
Ensemble Designs	Robinson
Express Mart	Enterprises
Friar Tucks Restaurant	Sierra Metal
Fur Traders	Fabricators
Heausers Plaza	Sopaworn Savedra
Tire	SPD Market
Ikes Quarter Cafe	Superior Propane
JH Petroleum	Sushi Q
Leftys Grill	Tour of Nevada City
	Bicycle Shop
	Trolley Junction
	Cafe

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$502,564	\$301,671
County Pool	94,633	53,481
State Pool	147	317
<b>Gross Receipts</b>	<b>\$597,344</b>	<b>\$355,469</b>
Less Triple Flip*	\$(149,336)	\$(88,867)
<b>Gross Trans. Tax</b>	<b>\$323,240</b>	<b>\$261,868</b>

\*Reimbursed from county compensation fund

**Slower Sales Declines**

With aberrations factored out, state-wide sales tax receipts for July through September declined 16.4% from the same quarter of 2008. It is anticipated that this will be the last quarter of comparative double digit decreases as the recession begins to bottom out.

This quarter's declines were led by a 32.6% fall from last year's spike in fuel prices and another 25.2% drop in tax receipts from building and construction materials.

The 9.9% decline in new car receipts was the smallest decrease in this category in seven consecutive quarters. The "cash for clunkers" program was partially responsible for the lower contraction although the tax benefits were muted as exempt federal rebates reduced the taxable values of cars purchased under the program by an average of \$4,200.

Edmunds.com estimates that 72% of the purchases would have occurred without the rebate which, if true, means that the program accomplished its goal of accelerating the clearing of inventories to get auto workers back to work but partially borrowed from future sales.

A 10.1% drop in tax revenues from general consumer goods was attributed to falling prices and continuing weak sales in home furnishings, appliances and electronics, as well as disappointing back to school purchases which normally constitute the second largest retail season of the year.

**But Slow Recovery**

Prognostications are for overall smaller sales tax declines in the next two quarters with revenues flattening out by fiscal year 2010/2011. However, tight credit, high unemployment, price pressures and the end of federal stimulus funding are expected to stall significant recovery until the year after.

**Triple Flip Woes**

The state's attempts to borrow its way out of its budget problems continued to create havoc with local government fiscal planning with this year's 27.6% average cutback in triple flip backfill payments.

In order to get around the state's flagging bond rating, the borrowing approved by voters in 2004 to close that year's deficit pledged a portion of local sales tax revenues to guarantee the bonds. The complex scheme to backfill the confiscated local sales tax with property tax revenues is referred to as the "triple flip."

Although the deduction occurs in real time, the estimated backfill is set by the state Department of Finance before the fiscal year begins. Last year's overly optimistic revenue projections resulted in overpayments to most local agencies thereby resulting in substantially lower estimates and negative adjustments in this year's backfills to individual agencies.

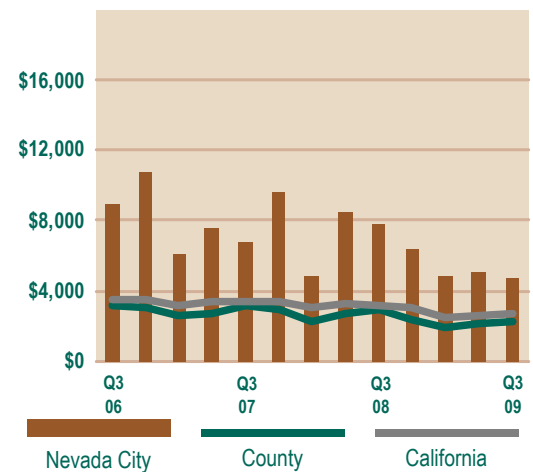
The 2004 bonds are currently estimated to be paid and the triple flip ended by April of 2016.

**Stimulus Update**

Approximately two thirds of the estimated \$85 billion in federal stimulus flowing to California is expected to have been spent by the end of this fiscal year with the bulk filling state budget gaps in education, health and human services, as well as providing tax relief to individuals and businesses.

The \$20.5 billion portion available for public capital improvement projects is half committed with actual expenditures expected to begin later in 2010.

**SALES PER CAPITA**



**NEVADA CITY TOP 15 BUSINESS TYPES**

Business Type	Nevada City		County	HdL State
	Q3 '09	Change	Change	Change
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-53.4%	-39.3%
Restaurants Beer And Wine	22,948	-11.8%	-18.9%	-14.4%
Grocery Stores Liquor	— CONFIDENTIAL —	—	-1.3%	-1.4%
Service Stations	15,096	-12.5%	-9.2%	-28.7%
Restaurants Liquor	10,140	-14.9%	-10.0%	-4.0%
Specialty Stores	6,435	-6.1%	-12.4%	-10.1%
Auto Repair Shops	5,561	8.3%	-12.7%	-10.1%
Women's Apparel	3,325	-26.8%	-11.3%	-11.1%
Contractors	3,000	-9.1%	-32.5%	-30.0%
Heavy Industrial	2,641	-74.2%	-63.0%	-32.0%
Sporting Goods/Bike Stores	2,622	2.6%	-8.9%	-5.3%
Electrical Equipment	— CONFIDENTIAL —	—	-83.6%	-13.5%
Restaurants No Alcohol	2,342	-18.5%	-31.4%	-10.1%
Jewelry Stores	2,308	-5.1%	-42.7%	-21.1%
Automotive Supply Stores	— CONFIDENTIAL —	—	14.3%	-3.6%
<b>Total All Accounts</b>	<b>\$145,849</b>	<b>-39.2%</b>	<b>-21.2%</b>	<b>-13.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>28,062</b>	<b>-40.6%</b>		
<b>Gross Receipts</b>	<b>\$173,910</b>	<b>-39.4%</b>		