

Q1 2009



Nevada City Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)

Nevada City In Brief

First quarter receipts were 4% lower than the same period one year ago, but reporting aberrations skewed the data. With anomalies excluded actual results fell 34.5%.

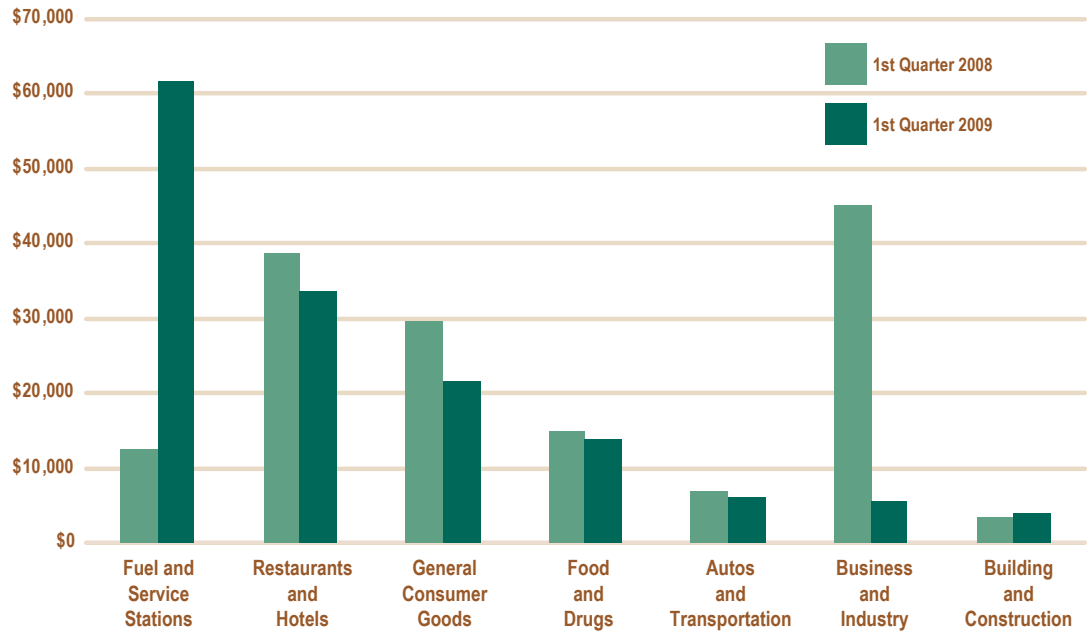
The sharp difference between cash receipts and "real" sales activity in the city was mainly due to payment aberrations that inflated current quarter Fuel & Service Station totals and temporarily cut amounts last year. Instead of being up 397.1%, the group declined 25.1% due to falling fuel prices and continued reductions in consumption.

Most of the remaining business groupings were also down. Business & Industry results reflected a combination of business closeouts and a retroactive takeaway of past receipts to correct a border error; business closeouts also cut General Consumer Goods and Restaurants & Hotels proceeds. The Food & Drugs group showed a moderate decrease.

The city's voter-approved Street Improvements Tax dropped 24.0%.

With accounting adjustments removed, all of Nevada County was down 21.4%; statewide sales dropped 16.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Bonanza Market	Mini Mania
Cirinos	New Moon Cafe
D & D Supply	Northridge of Nevada City
Earth Song Market & Cafe	Port of Subs
Express Mart	Express Market
Friar Tucks Restaurant	Riebes Auto Parts
Fur Traders	Robinson Enterprises
Heausers Plaza Tire	Sierra Metal Fabricators
Hooper Weaver Mortuary	Sopaworn Savedra
Ikes Quarter Cafe	SPD Market
Kahana Design	Superior Propane
Leftys Grill	Tour of Nevada City Bicycle Shop
McGees Annex	Trolley Junction Cafe

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$893,639	\$842,993
County Pool	177,748	160,569
State Pool	580	409
Gross Receipts	\$1,071,967	\$1,003,971
Less Triple Flip*	\$(267,992)	\$(250,993)
Gross Trans. Tax	\$614,703	\$592,573

*Reimbursed from county compensation fund

California Overall

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

Additional Use Tax Anticipated

The state's budget package includes provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

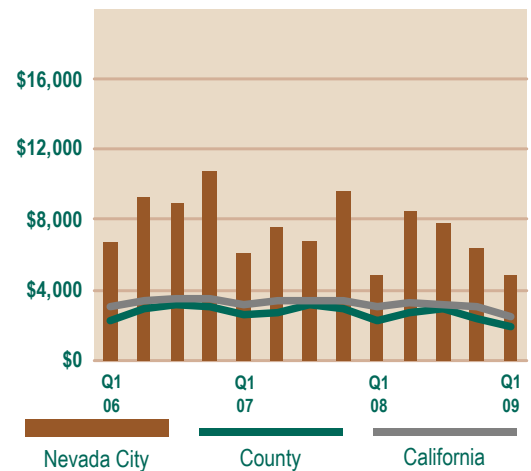
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

The state proposes to partially deal with this problem through two actions. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

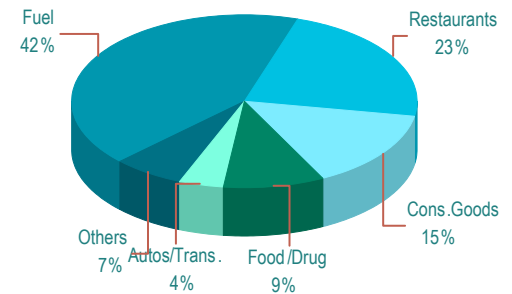
Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Nevada City This Quarter



NEVADA CITY TOP 15 BUSINESS TYPES

Business Type	Nevada City		County	HdL State
	Q1 '09	Change	Change	Change
Petroleum Prod/Equipment	— CONFIDENTIAL —		na	-51.4%
Restaurants Beer And Wine	18,351	-4.6%	-5.7%	-10.2%
Grocery Stores Liquor	— CONFIDENTIAL —		-7.8%	-1.8%
Service Stations	10,697	-28.9%	-31.4%	-35.2%
Restaurants Liquor	10,464	-28.7%	-8.4%	-2.0%
Heavy Industrial	5,548	-33.2%	-37.5%	-20.3%
Specialty Stores	5,079	-9.8%	-4.0%	-7.8%
Auto Repair Shops	4,255	-5.4%	-13.7%	-10.5%
Restaurants No Alcohol	4,091	0.3%	-13.7%	-2.7%
Fuel/Ice Dealers	— CONFIDENTIAL —		-35.2%	-38.1%
Women's Apparel	3,256	-3.8%	4.4%	-11.7%
Contractors	2,716	34.4%	-26.9%	-23.8%
Non-Store Retailers	2,199	na	0.8%	-11.5%
Automotive Supply Stores	— CONFIDENTIAL —		0.1%	-6.3%
Jewelry Stores	1,891	-40.2%	-13.4%	-26.4%
Total All Accounts	\$146,506	-3.0%	-14.7%	-17.6%
County & State Pool Allocation	28,182	-8.8%		
Gross Receipts	\$174,688	-4.0%		