

Q2 2011



Nevada City Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

Nevada City In Brief

Receipts for Nevada City's April through June sales were 5.9% higher than the same quarter one year ago.

Sales activity increased in general consumer goods including home furnishings, jewelry and sporting goods. The gain in restaurants and hotels as a whole was depressed by several business closures.

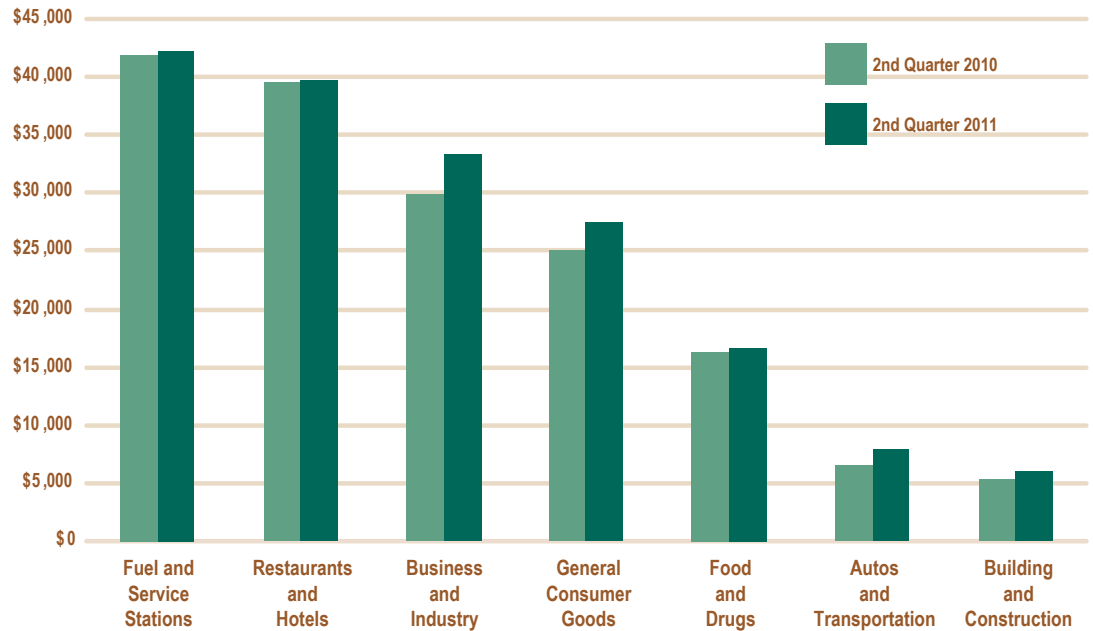
The rise in fuel and service stations from higher fuel prices was understated by aberrations. Once adjusted for these onetime events, this group rose 5.1%. Payment deviations accounted for the increase in business to business receipts. The gain in technology was eroded by declines in other sectors.

Revenues increased in autos and transportation and building materials/supplies.

The city's voter-approved Street Improvements transactions tax generated an additional \$179,858.

Adjusted for aberrations, taxable sales for all of Nevada County decreased 1.3% over the comparable time period, while the Far North region as a whole was up 6.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

49er Communications	New Moon Cafe
Bonanza Market	Northridge Of Nevada City
Cirinos	Port of Subs Express Market
D & D Supply	Riebes Auto Parts
Earth Song Market & Cafe	Robinson Enterprises
Express Mart	Sierra Metal Fabricators
Friar Tucks Restaurant	SPD Market
Grass Valley USA	SPD Saw Shop
Heausers Plaza Tire	Superior Propane
JH Petroleum	Tour of Nevada City Bicycle Shop
Las Katarinas	Trolley Junction Cafe
Leftys Grill	
Nevada City Gas	
Nevada County Supt of Schools	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$164,673	\$173,152
County Pool	30,559	33,841
State Pool	94	(110)
Gross Receipts	\$195,326	\$206,883
Less Triple Flip*	\$(48,832)	\$(51,721)
Gross Trans. Tax	\$132,083	\$179,858

*Reimbursed from county compensation fund

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

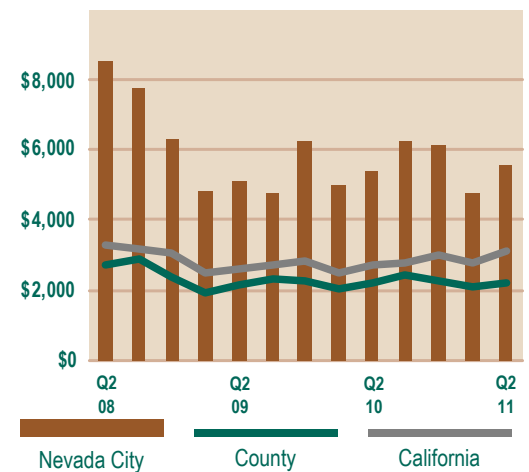
which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

SALES PER CAPITA



NEVADA CITY TOP 15 BUSINESS TYPES

Business Type	Nevada City		County	HdL State
	Q2 '11	Change	Change	Change
Auto Repair Shops	5,758	24.9%	39.4%	4.8%
Contractors	3,492	8.1%	-24.3%	7.6%
Electrical Equipment	— CONFIDENTIAL —	—	-5.2%	13.1%
Fuel/Ice Dealers	— CONFIDENTIAL —	—	3.8%	6.5%
Government/Social Org.	3,097	363.3%	-25.2%	2.1%
Grocery Stores Liquor	15,157	-1.0%	1.4%	1.5%
Heavy Industrial	— CONFIDENTIAL —	—	-44.9%	11.7%
Jewelry Stores	3,239	39.3%	28.3%	14.6%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	3.2%	43.1%
Restaurants Beer And Wine	23,865	-5.9%	0.1%	-1.2%
Restaurants Liquor	11,054	6.3%	6.2%	8.6%
Restaurants No Alcohol	3,669	25.1%	-3.8%	3.5%
Service Stations	16,261	0.3%	41.2%	31.0%
Specialty Stores	4,962	-10.9%	-19.8%	5.4%
Women's Apparel	3,608	-1.5%	-9.7%	8.9%
Total All Accounts	\$173,152	5.1%	2.0%	10.1%
County & State Pool Allocation	33,731	10.0%		
Gross Receipts	\$206,883	5.9%		