

Q3 2008



City of Rocklin Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2008)

Rocklin In Brief

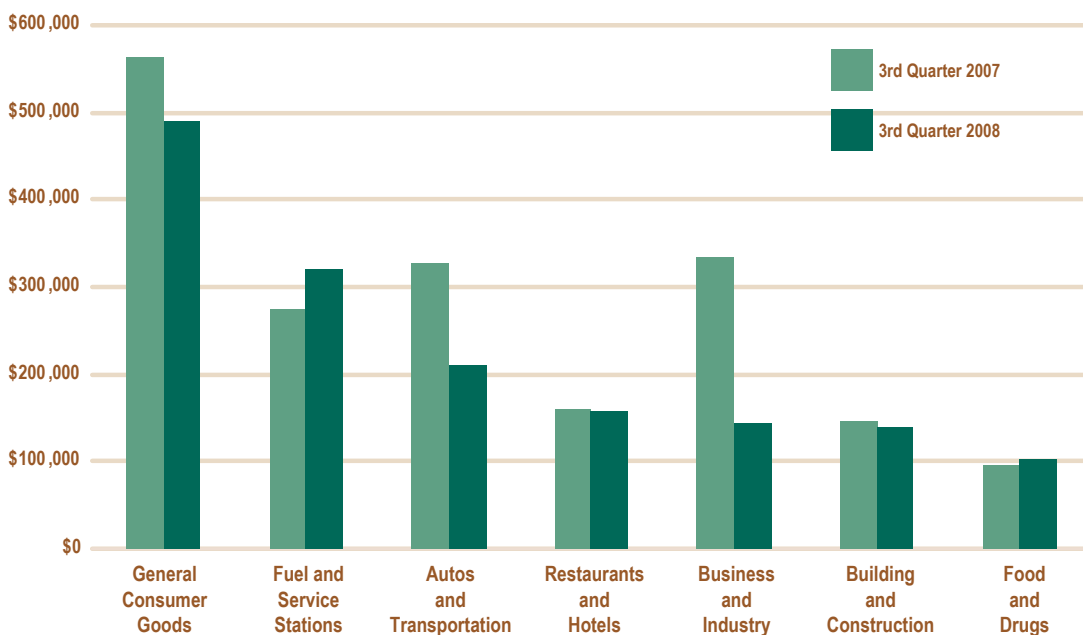
The allocation for Rocklin's third quarter sales was 17.6% lower than the same period of 2007, but accounting aberrations skewed the data. Actual sales were down 8.0% after anomalies were factored out.

Business/industry group results were slammed by the current period correction of a misallocation and receipt of onetime payments in the year-ago quarter; group returns actually slipped 6.8%. Revenues fell from the autos/transportation group, the building/construction sector and several categories of general consumer goods as shoppers cut spending and some outlets closed.

Declines were partially offset by the final quarter of historically high fuel prices, a strong performance by the heavy industrial group and a recent addition to contractor supplies; an accounting adjustment in the comparison period inflated the gain from contractor supplies. Onetime payments lifted postings from grocery stores selling beer & wine and office equipment.

Adjusted for aberrations, taxable sales for all of Placer County were down 7.6% over the same period; the Sacramento region as a whole dipped 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Mainline
Arco AM PM Mini Mart	Information Systems
BP West Coast Products	Meeks Building Center
California Hydronics	Pottery World
Camping World	R C Willey Home Furnishings
Chevron	Rocklin Gas
Dan Gamel RV	Safeway
Dawson Oil	Safeway Gasoline Sales
Dawson Oil	Sportmans Warehouse
Direct Buy	Sunset Park AM PM
Granite Motorsports	Tasq Technology
K Mart	Tri Pacific Supply
Land Rover Rocklin	
Niello Porsche	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$3,773,980	\$3,219,799
County Pool	470,661	335,092
State Pool	278	911
Gross Receipts	\$4,244,919	\$3,555,802
Less Triple Flip*	\$(1,061,230)	\$(888,951)

**Reimbursed from county compensation fund*

Current Quarter - Statewide

Third quarter sales and use tax receipts declined 4.1% from the same period of 2007 once accounting aberrations were factored out.

Revenues from new car sales dropped 25.7% compared to July through September of 2007. Receipts from building materials declined 12.4%, business purchases 6.3% and general consumer goods 4.2%. Receipts from grocers, drug stores, and some categories of restaurants continued to post modest gains.

The statewide decrease was partially cushioned by one last quarter of record fuel prices. Tax receipts from petroleum related sales gained 25.3% over the third quarter of 2007 and accounted for 14% of California's total sales and use tax collections.

Continuing Declines Projected

This was the fifth consecutive quarter of decreasing statewide sales and use tax revenues. Given that the depth, length, and solution to this recession remain uncertain, local government budgeting will be the most challenging it has been in decades. Adding to the difficulty will be an expected rash of business closures as the existing glut of too much debt and too many stores and auto dealerships is sorted out.

The current consensus is that drastically lower fuel prices and the weakest holiday spending since the 1980's will make the drop in March's sales tax receipts (October through December sales) the most severe of the cycle to date. Lesser declines are likely for at least two quarters thereafter with overall revenues "bottoming out" at the end of 2009 or first quarter of 2010.

Agencies Will Fare Differently

Each jurisdiction's experience will vary with the specific makeup and character of its local tax base. The timing and benefits of an additional federal stimulus package remains unknown but cannot be expected to produce immediate

or complete recovery. As of January 1, prognostications for key segments of the state's sales tax revenues were:

Consumer Goods – With Californians already debt burdened, loosening of credit is not expected to stimulate spending to previous highs until jobs and retirement investments revive. Further declines are projected for the remainder of 2008/2009 with minimal growth in 2009/2010.

Auto Related - Credit will help but real recovery is not anticipated until 2010/2011. Severe declines are expected to continue through at least the remainder of 2008/2009.

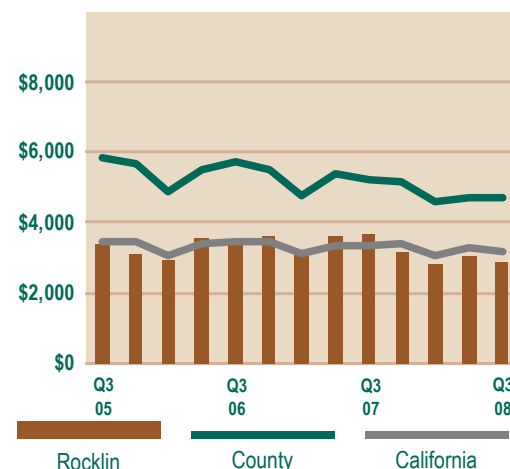
Fuel – Even production cutbacks and Middle East unrest will not bring back last summer's peak prices. A 30% decline is expected in the last two quarters of 2008/2009 with continuing revenue reductions through mid 2009/2010.

Business Spending - This usually falls and recovers later in the cycle than other segments. Declines of 5% to 10% are expected for some industrial categories during the remainder

of the fiscal year continuing through 2009/2010.

Building/Construction - Public spending is expected to boost specific tax categories by 2009/2010 but fewer housing, industrial and commercial startups make major gains unlikely.

Restaurant/Entertainment - Fast food sales should hold up but cutbacks in revenues from tourism and casual and high end restaurants are expected over the next few quarters.

SALES PER CAPITA**ROCKLIN TOP 15 BUSINESS TYPES**

Business Type	Rocklin		County	HdL State
	Q3 '08*	Change	Change	Change
Home Furnishings	\$247.6	-5.9%	-1.5%	-14.9%
Service Stations	229.3	20.3%	36.7%	25.6%
Petroleum Prod/Equipment	91.9	8.1%	46.0%	33.8%
Restaurants No Alcohol	84.6	-1.4%	5.5%	6.7%
Heavy Industrial	73.4	41.1%	19.7%	-8.4%
Contractors	71.9	18.2%	-11.0%	-11.8%
Specialty Stores	64.5	-0.8%	4.8%	-5.9%
Sporting Goods/Bike Stores	64.1	-25.1%	-20.0%	-5.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-27.0%	-23.9%
Restaurants Liquor	46.0	2.6%	5.6%	3.7%
Grocery Stores Liquor	43.0	-7.0%	-2.7%	0.9%
Boats/Motorcycles	42.5	-47.4%	-24.9%	-23.9%
Trailers/RVs	— CONFIDENTIAL —		-38.4%	-41.9%
Grocery Stores Beer/Wine	38.0	30.2%	26.8%	0.6%
Office Equipment	32.8	na	24.3%	-15.6%
Total All Accounts	\$1,567.0	-17.7%	-6.8%	-4.4%
County & State Pool Allocation	180.2	-16.9%		
Gross Receipts	\$1,747.2	-17.6%		<i>*In thousands</i>