

Q3
2008



City of Lodi Sales Tax *Update*

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

Lodi In Brief

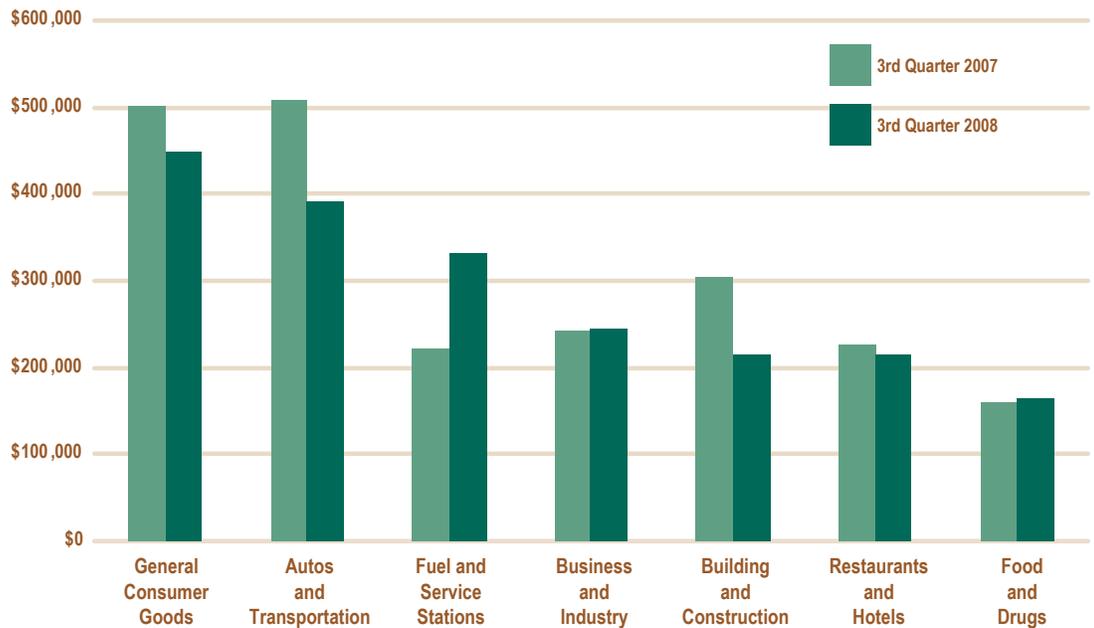
Receipts for Lodi's July through September sales quarter were 5.3% lower than the same period of 2007. Actual sales were down 6.9% after accounting aberrations were factored out.

Declines in sales of new cars, some categories of the building/ construction group and several classifications of general consumer goods were major factors for the decrease; a reporting anomaly pared receipts from contractor's supplies. Accounting deviations exaggerated losses from closeouts in restaurants serving liquor and those selling beer/ wine.

The final quarter of high fuel prices lifted returns from service stations, but accounting anomalies inflated results from bulk fuel sales, auto supply, grocery stores selling beer & wine and restaurants with no alcohol.

Adjusted for aberrations, taxable sales for all of San Joaquin County were 7.0% lower over the same period; the San Joaquin Valley as a whole was down 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Marshalls
AJs AM PM Mini Mart	Orchard Supply Hardware
Food 4 Less	Plummer Pontiac Cadillac GMC
Foster Lumber	Quik Stop Markets
Geweke Chrysler Dodge Jeep Kia	Sanborn Chevrolet
Geweke Ford Mercury Kia RV	Smart Foods
Geweke Toyota	Staples
K Mart	Target
Kettleman Chevron	Trumpf
Kludt & Sons Petroleum	USA Petroleum
Lakewood Chevron	Wal Mart
Lodi Honda	Wine & Roses Country Inn
Lowes	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$4,531,061	\$4,166,631
County Pool	529,228	538,977
State Pool	517	1,177
Gross Receipts	\$5,060,806	\$4,706,785
Less Triple Flip*	\$(1,265,202)	\$(1,176,696)

*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.

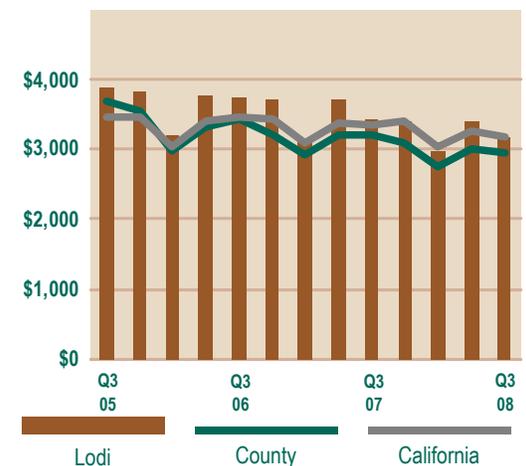
Business Spending - This usually falls and recovers later in the cycle than other segments. Declines of 5% to 10% are expected for some industrial categories during the remainder

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



LODI TOP 15 BUSINESS TYPES

Business Type	Lodi		County	HdL State
	Q3 '08*	Change	Change	Change
New Motor Vehicle Dealers	\$266.2	-29.0%	-33.4%	-23.9%
Service Stations	261.6	32.6%	18.0%	25.6%
Discount Dept Stores	— CONFIDENTIAL —		1.0%	-0.9%
Lumber/Building Materials	126.1	-13.1%	-18.1%	-13.9%
Restaurants No Alcohol	115.0	6.4%	6.9%	6.7%
Grocery Stores Liquor	87.7	5.7%	2.3%	0.9%
Petroleum Prod/Equipment	70.2	173.3%	51.5%	33.8%
Light Industrial/Printers	64.5	19.5%	8.9%	-4.0%
Automotive Supply Stores	54.8	22.6%	-0.9%	-5.2%
Contractors	52.2	-54.9%	-36.4%	-11.8%
Specialty Stores	50.0	5.6%	-1.2%	-5.9%
Restaurants Liquor	49.6	-16.3%	-0.3%	3.7%
Restaurants Beer And Wine	47.0	-18.5%	-12.4%	-7.1%
Heavy Industrial	42.7	0.8%	-34.3%	-8.4%
Family Apparel	34.4	-7.4%	-0.5%	0.3%
Total All Accounts	\$2,012.8	-7.2%	-7.2%	-4.4%
County & State Pool Allocation	270.4	11.7%		
Gross Receipts	\$2,283.3	-5.3%		<i>*In thousands</i>