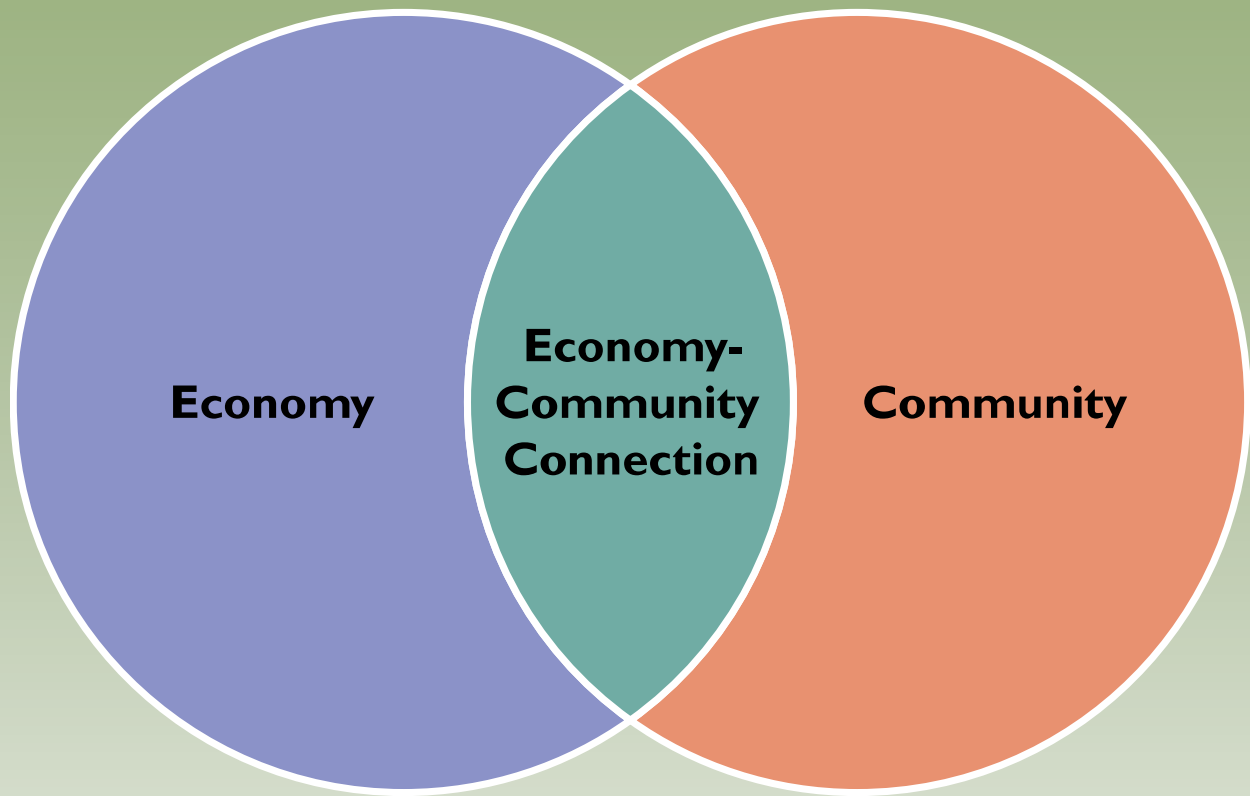


Prepared by the County of Solano ♦ February 2012



Solano County 2011

Index of Economic and Community Progress

The *Solano County Index of Economic and Community Progress* is a project that was launched in 2007 after a series of economic summits identified a need for more fact-based information to guide efforts by leaders in both the public and private sectors to expand the long-term viability of the Solano County economy.

Three comprehensive editions were produced for 2008, 2009 and 2010 by the consultant Collaborative Economics for the County of Solano and the Solano Economic Development Corporation. These insightful documents provided an objective analysis of key indicators shaping the local economy.

The 2011 edition tracks many of the past indicators

affecting Solano County. In many instances the Index includes comparisons to the Sacramento Area, Bay Area, California and the United States. The web-based report will be updated throughout the year as more current information becomes available.

As the year progresses some indicators will be explored more deeply to give a better understanding of local trends. This will give stakeholders the opportunity to deploy strategies that will help us improve the outcomes that the indicators are tracking.

All of the indexes, as well as several in-depth analyses of local industry clusters, can be found at www.solanocounty.com/economicindex.

Index of Economic and Community Progress

It is my pleasure to introduce to you the fourth annual *Solano County Index of Economic and Community Progress*, our annual in-depth look at the various indicators and trends shaping our local economy. This document reflects the sobering realities of the Great Recession as well as some glimmers of hope that the some of the worst may be behind us.

Every since the inception of the Index project, the objective has been to delve behind the headlines by gathering the data that gives us the long-term perspective. This approach gives us the context in which to view today's circumstances and thoughtfully plan our strategic actions. This document is also an evolution of our earlier efforts. The indicators being tracked in this web-based document will be updated throughout the year as the data becomes available. Some indicators will be explored more fully and others may be added as the year progresses. In short, the Index is becoming more dynamic to give community leaders a more comprehensive and more current tool for decision making.

Over the decade positive signs exist, although they are often overshadowed by the ravages of a deep recession fueled by the housing market collapse. The private sector has been increasing its share of the local job base. More Solano County residents are in the job market than ever before. Our local businesses posted a net gain in job creation. The unemployment rate is declining in all our communities. Half of our industry sectors showed gains in their gross domestic product. The churn in the housing market is returning. Foreclosure activities declined significantly. The high school dropout rate is down overall and within each ethnicity. Per capita income is up. And in most of these areas we are faring better than the rest of the Bay Area.

Unfortunately, there are black clouds for almost every silver lining. As a net exporter of local talent, Solano County's unemployment rate remains unacceptably high due to an overall shrinkage of the region's employment base. The number of self-employed continues to decline. Less expensive homes are rolling back property tax revenues for our communities at a time when other sources of revenues are becoming more scarce. And looming on the horizon are two rounds of the Base and Realignment Commission that present both risks and opportunities for the long-term future of Travis Air Force Base.

While the challenges speak to the difficult work ahead of us, I still remain optimistic about the core fundamentals that make Solano County strong and unique. We have a proven track record of working together and crafting effective solutions to our major issues. This "collaborative capital" is a crucial component of our investment strategy that will continue the upward projection of our local economy. As we move forward, the Solano EDC will continue to facilitate our community courage to ask the difficult questions, hear the answers clearly and then act collectively to build solutions that take advantage of future economic opportunities.



Sandy Person

President

Solano Economic Development Corporation

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Solano County Key Facts

Area

Rural land area	675 square miles
Urban land area	150 square miles
Water area	84 square miles



2011 Population¹ 414,509

Benicia	27,118
Dixon	18,435
Fairfield	104,815
Rio Vista	7,433
Suisun City	28,212
Vacaville	93,101
Vallejo	116,508
Unincorporated	18,977

Adult Educational Attainment³

Less than high school	14.3%
High school graduate	24.5%
Some college, no degree	26.7%
Associates degree	10.5%
Bachelor's degree	16.7%
Graduate or Professional degree	7.3%

2010 Population Change¹

Net Foreign Immigration	+1,210
Net Domestic Migration	-2,888

Age Distribution³

Under 5 years old	6.5%
5 to 19	20.9%
20 to 44	33.5%
45 to 64	31.4%
65 and older	11.4%

Top 5 Employment Sectors²

Government	24,300
Education & Health Services	18,900
Retail Trade	16,300
Leisure & Hospitality	12,900
Professional & Business Services	11,300

Ethnic Composition³

White, non-Hispanic	40.8%
Hispanic	24.0%
Asian, non-Hispanic	14.3%
Black, non-Hispanic	14.2%
Other	6.6%

Total Industry Jobs² 120,300

Sources:

¹ California Department of Finance, <http://www.dof.ca.gov/research/demographic/reports/view.php#objCollapsiblePanelEstimatesAnchor> (April 29, 2011)

² California Employment Development Department, <http://www.calmis.ca.gov/htmlfile/msa/vallejo.htm> (Jan. 20, 2012)

³ US Census Bureau American Fact Finder, <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>

Index Overview

Net gain in local industry employment

Among employers located in Solano County, the private sector represented 79.8 percent of local employment in 2010, up from 78.6 percent in 2001. The private sector gained in its share of local employment between 2001 and 2010, a net increase in 2,200 local jobs. The public sector experienced a net decrease of 1,200 jobs. At the peak of local industry job gains for the decade in 2006, Solano County was up 13,300 jobs located in the county. The recession, led by the collapse of the housing market, eroded 78 percent of those job gains.

The Educational & Health Services sector — schools, hospitals, residential care facilities — experienced continued growth, despite the recession and the collapse in the local housing market, and accounts for an overall positive net job growth over the decade. Educational & Health Services grew by 32 percent, or 4,600 local jobs. Net gains were also experienced in the Transportation, Warehousing & Utilities; Financial Activities; Leisure & Hospitality, Other Services; Wholesale Trade; and Professional and Business Services sectors. Employment in the Construction, Manufacturing and Agriculture sectors accounted for 84 percent of the net private sector job losses between 2001 and 2010.

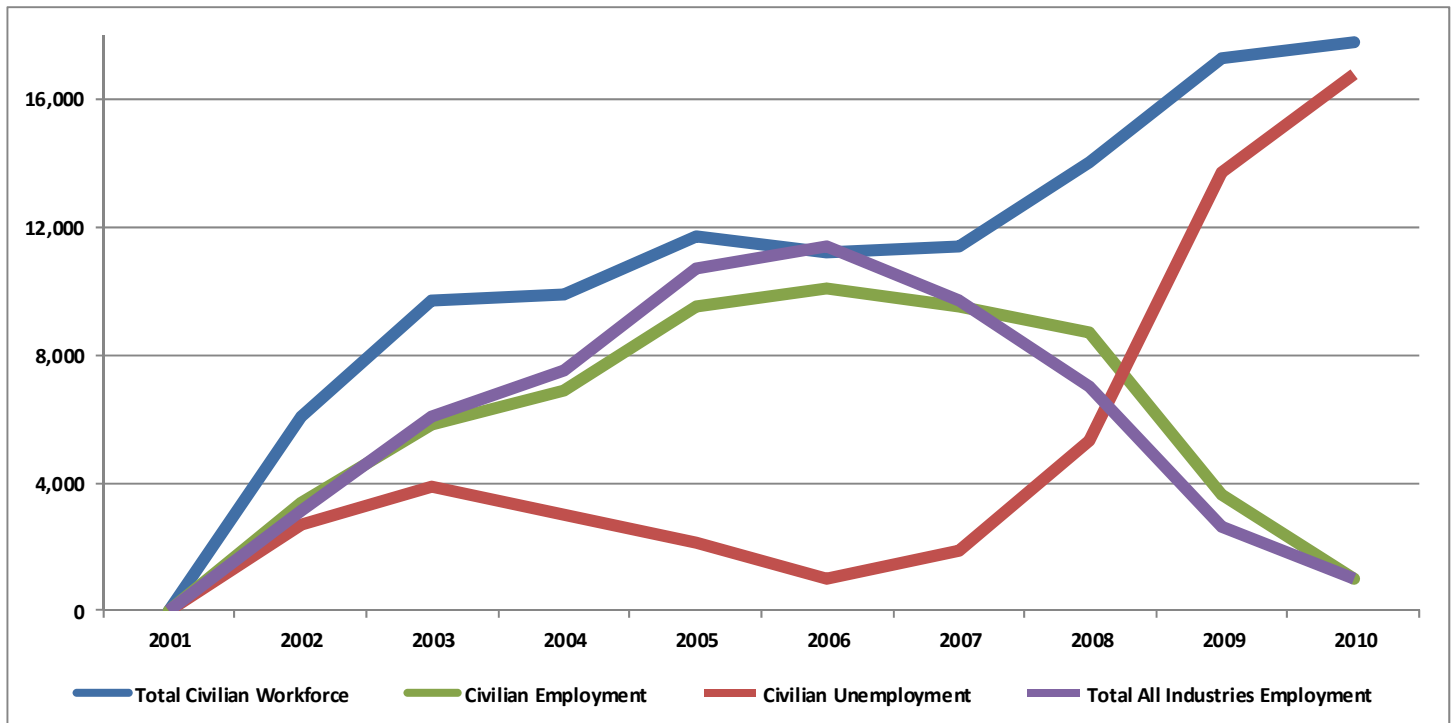
Relative to the rest of the Bay Area, the Sacramento area and the nation, Solano County is faring better in its change in total industry jobs over the decade. Solano County experienced a net gain of 0.8 percent in local industry employment; Sacramento, 1.5 percent loss; rest of the Bay Area, 12.4 percent loss; and California, 4.7 percent loss.

	10-YEAR VIEW		5-YEAR VIEW		1-YEAR VIEW	
	2001 to 2010	% Change 2001 to 2010	2005 to 2010	% Change 2005 to 2010	Dec 10 - Dec 11	% Change Dec 10 - Dec 11
Private Sector Employment	2,200	2.3%	(8,500)	-8.10%	1,200	1.30%
Educational & Health Services	4,600	32.2%	3,100	19.60%	300	1.60%
Transportation, Warehousing & Utilities	1,500	50.0%	(200)	-4.30%	-	0.00%
Financial Activities	900	23.7%	(1,600)	-25.40%	(100)	-2.20%
Leisure & Hospitality	500	4.0%	300	2.40%	600	4.80%
Other Services	400	11.1%	(200)	-4.80%	(200)	-4.90%
Wholesale Trade	300	7.7%	(200)	-4.50%	100	2.40%
Professional and Business Services	100	-0.9%	-	0.00%	200	1.80%
Information	(100)	-5.9%	(100)	-5.90%	-	0.00%
Mining and Logging	(100)	-33.3%	(200)	-50.00%	-	0.00%
Retail Trade	(700)	-4.1%	(2,300)	-12.40%	200	1.20%
Agriculture	(900)	-40.9%	(700)	-35.00%	100	11.10%
Manufacturing	(1,100)	-11.0%	(400)	-4.30%	(100)	-1.10%
Construction	(3,400)	-32.1%	(6,200)	-46.30%	100	1.40%
Government Employment	(1,200)	-4.7%	(1,200)	-4.70%	(300)	-1.20%
Total Local Industry Employment	1,000	0.8%	(9,700)	-7.50%	900	0.80%

Annual Change in Total Industry Jobs, Relative to 2001		
	As of 2005	As of 2010
Solano County	9.00%	0.80%
Rest of Bay Area	-8.80%	-12.40%
Sacramento Area	7.20%	-1.50%
California	1.30%	-4.70%

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Source: California Employment Development Division, Labor Market Information Division, <http://www.calmis.ca.gov/htmlfile/msa/vallejo.htm>. (Sept. 16, 2011)

Overall employment is not keeping pace with labor force growth

Despite the recession, the number of Solano County residents employed in industry jobs has remained above the 2001 employment levels. Between 2001 and 2010, this translates to a net increase of 1,000 or 0.5 percent in employed residents. During the same period, however, the number of people in the labor force increased by 17,800 residents, or 10.7 percent. This gap between job creation and labor force growth increased the size of the unemployed labor force from 9,000 to 25,900.

Between 2001 and 2010, employment by industries located in Solano County grew by a net 1,000 jobs. During the same time, local industry employment in the Bay Area and Sacramento area declined and Solano County unemployment increased 184.6 percent. While Solano County unemployment is affected by regional employment, the analysis to date has not examined the relationship between the unemployed, nonemployers and commuting residents. With Net Other Employment decreasing and unemployed residents increasing makes this a topic of future analysis. What is known is the net number of nonemployer establishments – essentially self-employed individuals – declined by 931 establishments between 2005 and 2009. The county was still a net exporter of labor in 2009, with 76,164 residents commuting out for employment and 29,908 of local employment jobs were filled by people commuting into Solano County for employment.

	2001	2005	2010	Change from 2001 to 2010	Change from 2005 to 2010	Change from Dec. 2010 to Dec. 2011
Solano County Labor Force	197,200	208,900	215,000	17,800	6,100	800
Employed Residents	188,100	197,600	189,100	1,000	(8,500)	3,800
Employment in Local Industries	119,300	130,000	120,300	1,000	(9,700)	900
Net Other Employment (Self-Employed and Commuters)	59,700	56,400	42,900	(16,800)	(13,500)	5,900
Unemployed Residents	9,100	11,200	25,900	16,800	14,700	(3,000)
Percent of Unemployed Residents	4.6%	5.7%	13.7%			

Civilian labor force: employment by place of residence; include self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

Industry employment: employment at businesses located in Solano County; excludes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

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Solano County Gross Domestic Product on overall upward trend

The gross domestic product is the sum of consumer, government and business spending in a region. In 2010 constant dollars the Solano County gross domestic product increased by \$2.77 billion or 24.8 percent between 2001 and 2010. Between 2005 and 2010, the county's gross domestic product declined by 0.7 percent.

The private sector represented 86.5 percent of the GDP increase between 2001 and 2010. Gains in Government spending between 2005 and 2010, led by various construction projects, federal stimulus dollars and social transfer payments, offset declines in the private sector spending. It is important to note that growth in the GDP may not coincide with job growth due to gains in operational efficiencies within a sector and changes in the market values of their goods and services.

	2001	2005	2010	10-YEAR VIEW		5-YEAR VIEW	
				Change 2001 to 2010	% Change 2001 to 2010	Change 2005 to 2010	% Change 2005 to 2010
Total, Private Industries	8,765	11,400	11,159	2,394	27.3%	(240.55)	-2.1%
Private - Goods Producing	2,768	3,670	3,631	863	31.2%	(38.64)	-1.1%
Private - Service Producing	5,996	7,730	7,529	1,533	25.6%	(200.91)	-2.6%
Government	2,393	2,625	2,766	373	15.6%	141.00	5.4%
Total, All Industries	11,159	14,025	13,925	2,766	24.8%	(99.55)	-0.7%

Numbers listed in millions.

Between 2001 and 2010, the private goods-producing sectors (Agriculture, Forestry, Fishing, and Hunting; Mining; Construction; and Manufacturing) grew by 31.2 percent. These sectors experienced a 1.1 percent decline between 2005 and 2010. The overall gains in this sector from 2001 to 2010 were led by Manufacturing – Nondurable Goods, up \$873 million or 65.3 percent, and Agriculture, Forestry, Fishing and Hunting at \$76 million or 55.8 percent. Construction declined by \$52 million or 6.4 percent and Manufacturing – Durable Goods declined \$34 million or 8.5 percent.

Between 2001 and 2010, the private service-producing sectors (all others except Government) increased 25.6 percent. These sectors collectively declined 2.6 percent between 2005 and 2010. Leading the growth in these sectors was Health Care and Social Assistance at \$630 million or 67.5 percent, Finance and Insurance at \$157 million or 47.8 percent, Wholesale Trade at \$145 million or 31.1 percent, and Professional, Scientific and Technical Services at \$118 million or 39 percent.

Top Three Sectors, Share of Solano County Gross Domestic Product			
	2001	2005	2010
Government	21.4%	18.7%	19.9%
Manufacturing - Nondurable goods	12.0%	14.4%	15.9%
Health care and social assistance	8.4%	8.2%	11.2%
Real estate and rental and leasing ¹	N/A ¹	11.3%	8.9%
Retail trade	10.3%	9.3%	7.6%

¹Detail data not available in 2001.

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Mixed messages on standard of living measures

A community's standard of living can be measured by the value of the region's median household and per capita income. Per capita income rises when a region generates wealth at a faster rate than its population growth. In constant dollars, net growth in per capita income and median household income has outpaced the state and the nation.

In inflation adjusted dollars, the per capita income increased 7.2 percent, total personal income climbed 8.8 percent and population grew by 3.3 percent between 2001 and 2009 in Solano County. During the same time, the median household income declined by \$172. The sources of personnel earnings shifted too. Social transfer payments, which include military and public sector retirement incomes, increased almost proportionately to the reduction in work place earnings.

Reflecting its growth in the gross domestic product, the industry sector leading the growth in personal income was Manufacturing – Nondurable Goods sector, increasing 74 percent between 2005 and 2009. The opposite was also true; personal income from the Real Estate, Rental and Leasing and Construction industry sectors reflected their shift as a share of the local gross domestic product, declining 43 percent and 30 percent respectively.

	2001	2005	2009	Change 2001 to 2009	% Change 2001 to 2009
Per Capita Income	\$36,082	\$37,975	\$38,670	\$2,588	7.2%
Median Household Income	\$65,251	\$67,895	\$65,079	(\$172)	-0.3%
Population	399,476	410,985	412,832	13,356	3.3%
Total Personal Income	\$12,032,665	\$14,105,390	\$15,866,085	\$1,281,037	8.8%

Community indicators point to areas of concern

An unstable economy has a ripple effect on the community, and a stable community contributes to the overall success of the economy. The indicators tracked demonstrate the reciprocal nature of the community-economy relationship.

Population: The year-to-year change in population in Solano County reflects a relatively modest population growth, growing 0.3 percent between 2010 and 2011 and 4.7 percent between 2000 and 2010. Growth since 2005 has been under 0.3 percent each year. This trend toward slower population growth since 2005 is consistent with the rest of the Bay Area, the Sacramento Area and the state.

While the population growth is modest, the shift in the age of the population is more significant. Residents age 60 and older grew by 20,539 or 41.5 percent and increased its relative share of the population to 17 percent. On the other end of the spectrum, the 19 and under population declined 9,342 or 7.6 percent and decreased its relative share of the population to 27.4 percent. The working age population shows gains, but the drop in the 35 to 44 age category could have significant impacts on the workforce as the baby boomer generation continues to shift into retirement. Collectively, these shifts will have impacts on the demand for services in the public and private sectors, and the ability for the community to respond to the demands.

Education: Solano County has made conflicting progress on the education of its youth. The high school dropout rate declined from 27.7 percent in 2006/2007 school year to 18.8 percent in the 2009/2010 school year. For the same period, the high school graduation rate declined from 79.2 percent to 75.8 percent. The percentage of students who met entrance requirements for the University of California or California State University system declined from 30.3 percent to 27.6 percent. A new set of data is available that tracks of California high school graduates in post-secondary institutions, regardless of where they are located in the country. A total of 72 percent of Solano County graduates were enrolled in a post-secondary institution.

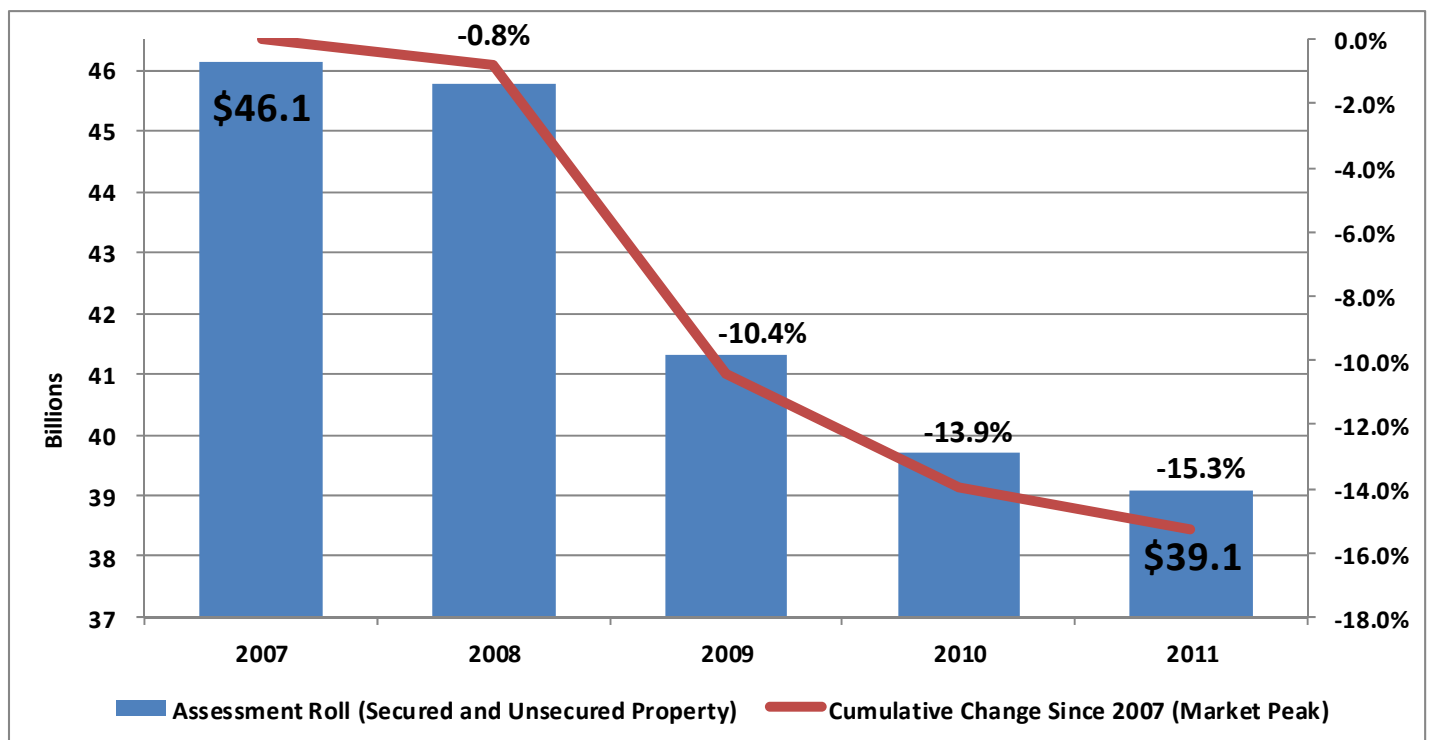
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Healthcare: With sustained double-digit unemployment since 2009, a decline in employment-based insurance is anticipated. This assumption will be confirmed after the California Health Interview Survey releases its updated survey. The last survey was conducted in 2009.

Housing: Foreclosure activity in Solano County appears to be leveling off, but at a rate nearly 300 percent higher than in 2000. The housing market remains unstable and a significant number of homes are under water — meaning the value of the home is less than the remaining mortgage balance. The recent announcement of a settlement over bankruptcy abuses may provide relief to homeowners and a spike in further foreclosure activity among what is referred to as a “shadow inventory” of foreclosable homes being held by financial institutions. While the decline in the rate of foreclosure activity is a positive sign, it may be a misleading indicator at this time due to high degree of uncertainty and unknowns in the housing market.

Home sales activity is approaching the pre-housing collapse levels; however, the median sales price of homes in Solano County has declined 63 percent. This is a mixed blessing to the community. The lower home prices has increased Solano County’s ranking on the California Association of Realtors Traditional Housing Affordability Index to 75 percent in the third quarter of 2011 — making the housing costs here more affordable than the Bay Area at 38 percent, statewide at 52 percent and the nation at 67 percent. On the negative side, the higher volume of home sales at lower prices reduces property tax revenues to the county, cities, schools and other districts. Homes selling at lower prices resets the Proposition 13 value of the home, which resets the base from property taxes are calculated. The assessment roll in Solano County has declined 15.3 percent since the market peak in 2007.

Government Revenues: The recent demise of the redevelopment agencies will have a significant impact on local governments, most significantly the cities in Solano County. It is still too early to understand the full ramifications of this decision locally. This index did not examine changes in local government revenues as this historical data lost its relevance in the wake of the end of redevelopment agencies and the resetting of the local property tax base. This topic will be a subject of future analysis.



Source: Solano County Assessor-Recorder's Office, July 2012



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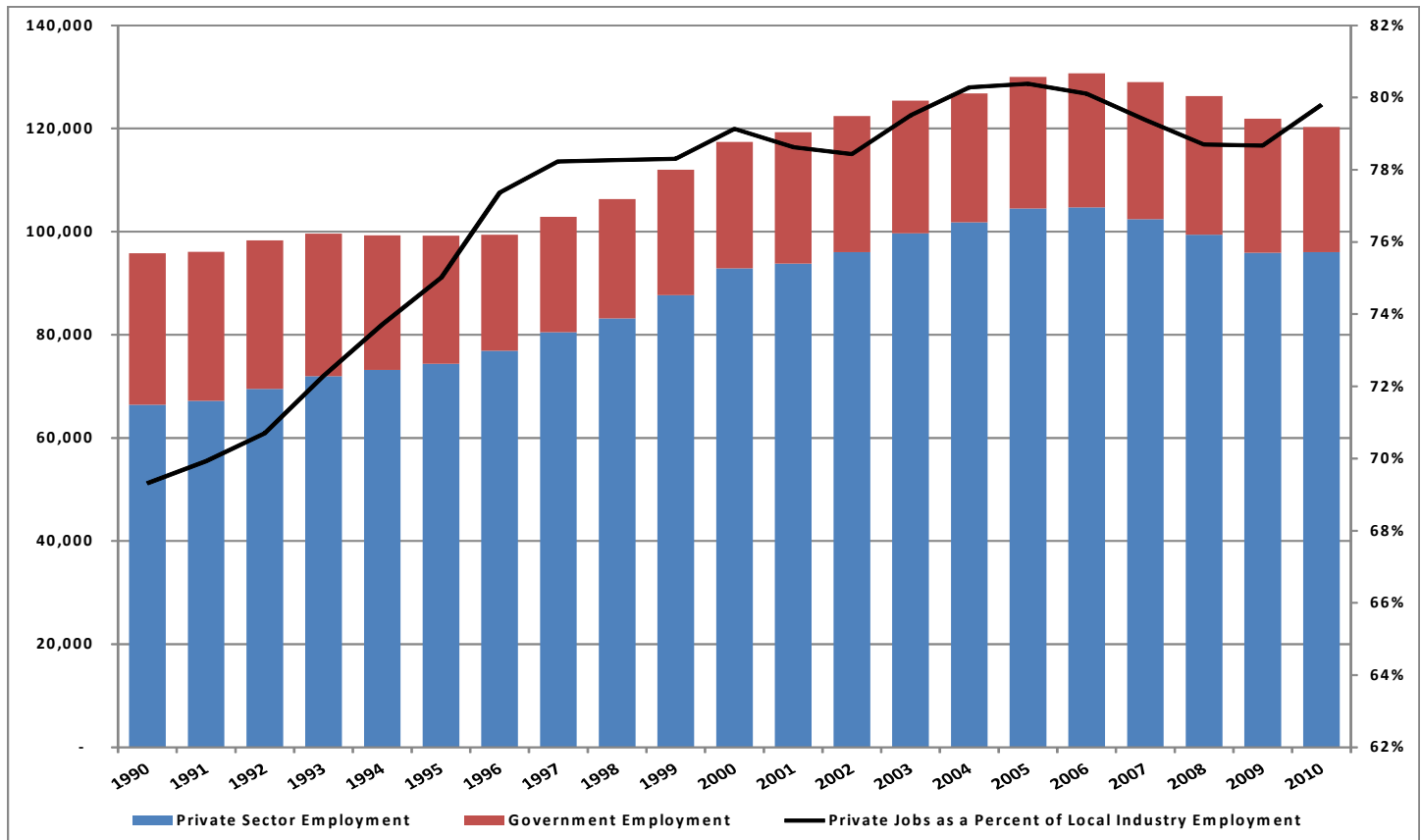
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Annual Local Industry Employment

Employment by private industries and government in Solano County

Percentage of labor force employed by private industries in Solano County

1990 to 2010



Source: California Employment Development Division, Labor Market Information Division, <http://www.calmis.ca.gov/htmlfile/msa/vallejo.htm>. (Sept. 16, 2011)

Private sector employment in 2010 experienced its first increase since 2006 with a modest increase of 100 jobs. This was offset by a loss of 1,700 jobs in the government sector. Overall, total local industry employment in Solano County (based on jobs at employers located in the county) declined 1,600 jobs or 1.3 percent in 2010. December 2011 data indicates this trend is continuing — modest increases in private jobs offset by losses in government jobs.

Since 2005, the peak year of total local employment, the county experienced a loss of 9,700 jobs — a 7.5 percent decline. Private sector accounted for 8,500 of the job losses.

Over the last two decades, the private sector has represented a growing share of local jobs. In 1990, the private sector accounted for 69.3 percent of local jobs. The closure of Mare Island Naval Shipyard in 1995 had a dramatic effect on government employment. By 2000, the private sector gained 26,500 jobs to represent 79.1 percent of the labor force. The public sector shrank by 4,900 jobs over the decade.

Between 2001 and 2010, private sector jobs maintained a net increase of 2,200 jobs and represented 79.8 percent of the labor force in 2010. The public sector experienced a net decrease of 1,200 jobs over the decade.



What does this mean?

Modest gains in local private industry employment since 2009 are being offset by losses in government employment.

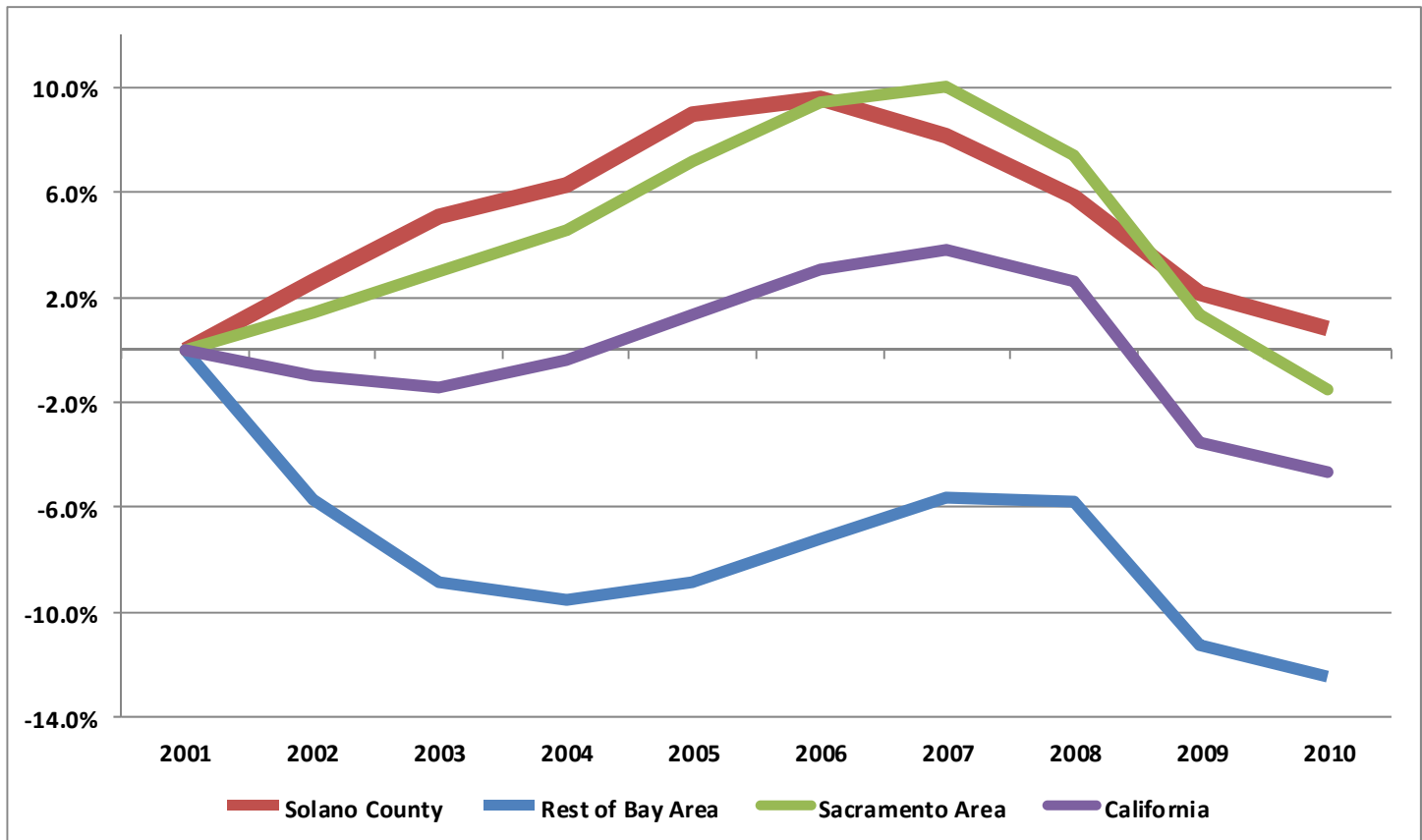
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Change in Total Industry Jobs

For Solano County, Rest of Bay Area, Sacramento Area and California

Trends relative to 2001



Source: California Employment Development Division, Labor Market Information Division, <http://www.calmis.ca.gov/htmlfile/county/califhtm.htm> . (Sept. 16, 2011)

Relative to 2001, Solano County is faring better in retaining local industry jobs than the rest of the Bay Area, the Sacramento area and the state. Solano County has 1,000 more total industry jobs in 2010 than it did in 2001, which represents a 0.8 percent increase for the decade.

The rest of the Bay Area, the Sacramento area and the state experienced overall reductions in local industry employment over the decade. Between 2001 and 2010 the Bay Area declined 396,600 jobs or 12.4 percent, Sacramento area declined 13,300 jobs or 1.5 percent, and the state declined 703,500 jobs or 4.7 percent.

The recession in the second half of the decade eroded much of the earlier job gains. Solano County peaked at 130,700 total local industry jobs in 2006, which declined 10,400 or 8 percent to 120,300 in 2010.

Between 2005 and 2010, local industry employment declined in Solano County and its comparable regions. Local industry employment shrank by 9,700 jobs or 7.5 percent in Solano County, 114,200 jobs or 3.9 percent in the rest of the Bay Area , 75,600 jobs or 8.1 percent in the Sacramento area and 901,500 or 5.9 percent for the state.



What does this mean?

While Solano County is faring better than the region and the state, the recession erased almost all of the job gains of the decade.

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Change in Industry Employment in Solano County

Gains and losses in the labor force by industry located in Solano County
2001, 2005 and 2010

	2001	2005	2010	Change 2001 to 2005	Change 2005 to 2010	% Change 2001 to 2005	% Change 2005 to 2010	% Change 2001 to 2010
Transportation, Warehousing & Utilities	3,000	4,700	4,500	1,700	(200)	56.7%	-4.3%	50.0%
Educational & Health Services	14,300	15,800	18,900	1,500	3,100	10.5%	19.6%	32.2%
Financial Activities	3,800	6,300	4,700	2,500	(1,600)	65.8%	-25.4%	23.7%
Other Services	3,600	4,200	4,000	600	(200)	16.7%	-4.8%	11.1%
Wholesale Trade	3,900	4,400	4,200	500	(200)	12.8%	-4.5%	7.7%
Leisure & Hospitality	12,400	12,600	12,900	200	300	1.6%	2.4%	4.5%
Professional & Business Services	11,200	11,300	11,300	100	0	0.9%	0.0%	0.9%
Retail Trade	17,000	18,600	16,300	1,600	(2,300)	9.4%	-12.4%	-4.1%
Government	25,500	25,500	24,300	0	(1,200)	0.0%	-4.7%	-4.7%
Information	1,700	1,700	1,600	0	(100)	0.0%	-5.9%	-5.9%
Manufacturing	10,000	9,300	8,900	(700)	(400)	-7.0%	-4.3%	-11.0%
Construction	10,600	13,400	7,200	2,800	(6,200)	26.4%	-46.3%	-32.1%
Mining and Logging	300	400	200	100	(200)	33.3%	-50.0%	-33.3%
Agriculture	2,200	2,000	1,300	(200)	(700)	-9.1%	-35.0%	-40.9%
Total All Industries	119,300	130,000	120,300	10,700	(9,700)	9.0%	-7.5%	0.8%

Source: California Employment Development Division, Labor Market Information Division, <http://www.calmis.ca.gov/htmlfile/msa/vallejo.htm> (Sept. 16, 2011)

Employment by local industry grew by a net 0.8 percent or 1,000 jobs between 2001 and 2010. Over the decade, seven industry sectors showed gains and seven showed declines in local jobs. Between 2001 and 2005, ten industry sectors showed gains, two remained steady and two showed declines in local jobs. This trend reversed between 2005 and 2010: two industry sectors showed gains, one remained steady and eleven showed declines in local industry employment.

Educational & Health Services and is the only sector to show continuous growth over the decade, gaining 4,600 jobs. Leisure & Hospitality had ups and downs over the

decade, peaking at 13,400 jobs in 2008 and a net gain of 900 jobs. Manufacturing started the decade at a peak in job growth from the 1990s then declined to a low of 9,000 jobs in 2003. The next four years saw job gains, peaking at 9,700 jobs in 2007 before starting a new decline. The net loss over the decade was 1,100 jobs. Construction was still in the job growth mode at the start of the decade, peaking at 13,400 jobs in 2005. As the housing market collapsed Construction experienced annual job losses for a net loss of 3,400 jobs for the decade. Financial Activities mirrored these ups and downs, but managed a net gain of 900 jobs for the decade.



What does this mean?

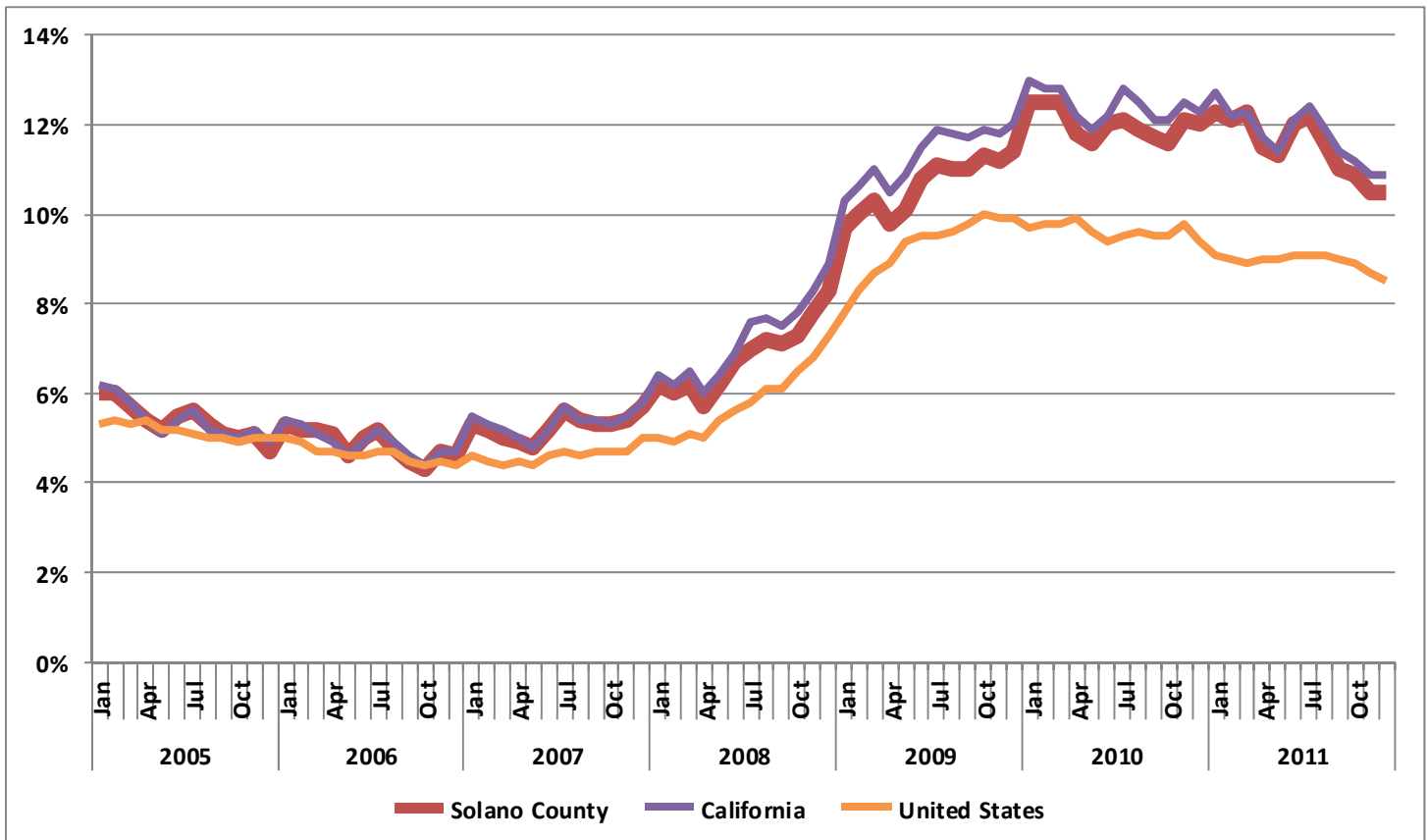
The housing market collapse directly affected several key employment sectors in Solano County.

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Unemployment Rate

For Solano County, California and United States
Monthly from 2005 to 2011



Source: California Employment Development Division, Labor Market Information Division, <http://www.calmis.ca.gov/htmlfile/msa/vallejo.htm> and <http://www.calmis.ca.gov/htmlfile/county/califhtm.htm>; U.S. Bureau of Labor Statistics, <http://data.bls.gov/timeseries/LNS14000000> (Jan. 20, 2012)

The December 2011 unemployment rate — 10.5 percent — remained unchanged from November 2011 and is the lowest jobless rate in Solano County since May 2009. It was earlier that year in February that the county experienced its first the first double-digit unemployment of the recession. For most of the recession, Solano County has fared better than the state.

December 2011 marks the fifth month of declining unemployment in Solano County. In July 2011, the unemployment rate stood at 12.2 percent. The unemployment rate for December 2011 was 10.9 percent statewide and 8.5 percent nationally. The December

2010 unemployment rate was 12 percent in Solano County, 12.3 percent statewide and 9.4 percent nationally.

The unemployment rate declined in all seven cities from December 2010 to December 2011:

- Vallejo, 14.8 percent to 12.9 percent
- Fairfield, 13.2 percent to 11.5 percent
- Suisun City, 12.5 percent to 10.9 percent
- Dixon, 9.8 percent to 8.5 percent
- Rio Vista, 9.1 percent to 7.9 percent
- Vacaville, 9.1 percent to 7.9 percent
- Benicia, 7.6 percent to 6.6 percent



What does this mean?

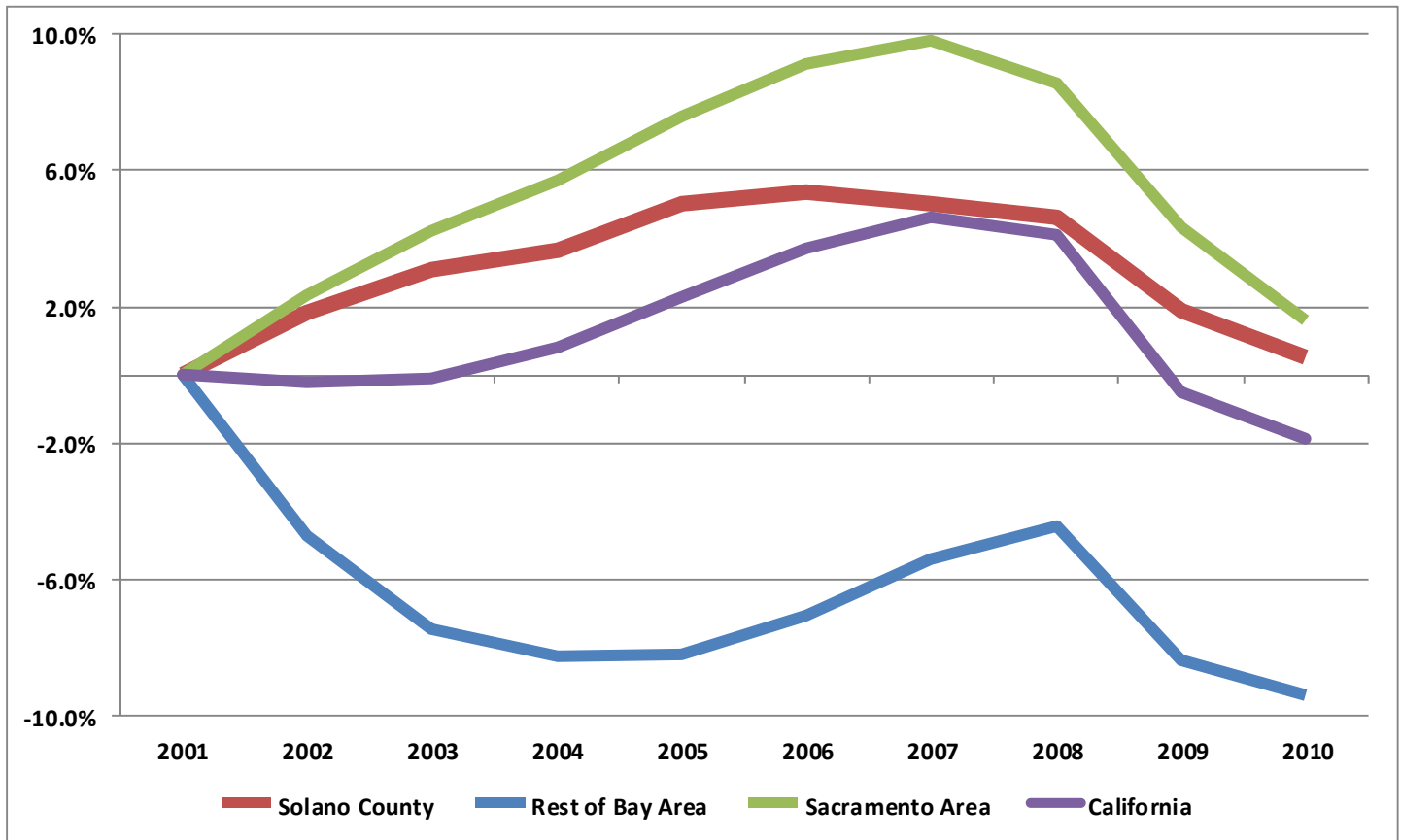
Reflecting statewide and national trends unemployment in Solano County is slowly starting to decline.

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Change in Total Employed Residents

For Solano County, Rest of Bay Area, Sacramento Area and California
Trends relative to 2001



Source: California Employment Development Division, Labor Market Information Division, <http://www.calmis.ca.gov/htmlfile/county/califhtm.htm> (Sept. 16, 2011)

The number of employed Solano County residents increased by 0.5 percent between 2001 and 2010, for a net gain of 1,000 employed residents. However, the size of the labor force increased by 17,800 or 9 percent. This gap between job creation and labor force growth increased the size of the unemployed labor force from 9,100 to 25,900.

Solano County fared better than the rest of the Bay Area and the state in the growth of number of employed residents. Between 2001 and 2010, the Bay Area declined 295,600 or 9.4 percent and the state declined 303,700 or 1.9 percent. The Sacramento area

experienced a 1.6 percent gain for an increase of 15,100 employed residents over the decade.

Since a peak in total employment in 2006, the number of employed residents in Solano County declined by 9,100 or 4.6 percent.

Between 2005 and 2010, the number of employed residents declined in Solano County and its comparable regions. Resident employment declined 8,500 or 4.3 percent in Solano County, 36,700 or 1.3 percent in the rest of the Bay Area, 57,000 or 5.6 percent in the Sacramento area, and 675,900 or 4.1 percent for the state.



What does this mean?

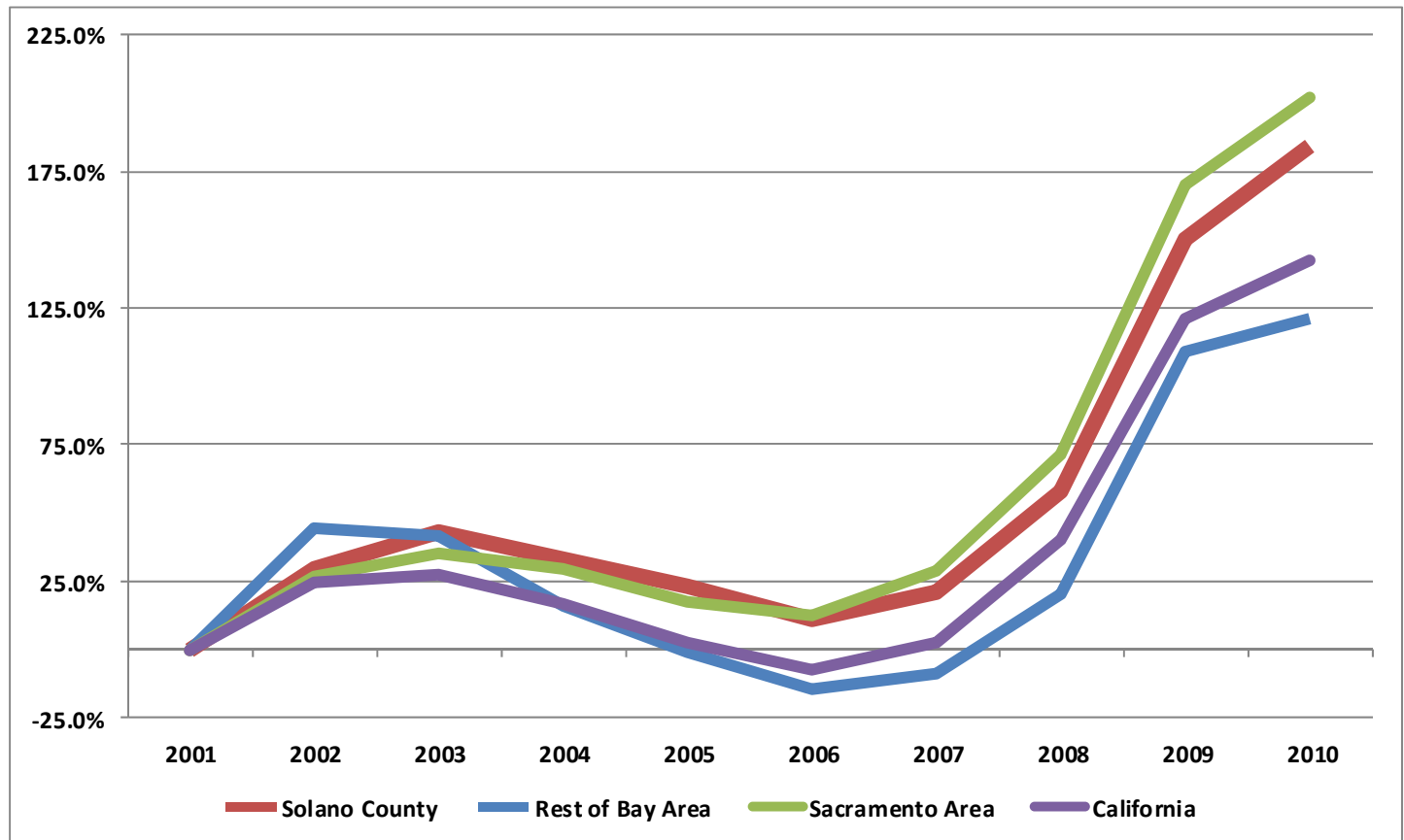
Despite employment gains, unemployment in Solano County climbed as labor force gains outpaced local and regional job growth.

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Change in Total Unemployed Residents

For Solano County, Rest of Bay Area, Sacramento Area and California
Trends relative to 2001



Source: California Employment Development Division, Labor Market Information Division, <http://www.calmis.ca.gov/htmlfile/county/califhtm.htm> (Sept. 16, 2011)

The number of unemployed residents in Solano County increased by 184.6 percent between 2001 and 2010, for a net gain of 16,800 unemployed residents. The county only fared better than the Sacramento area for the decade, which experienced increases of 96,700 or 202.3 percent. The number of unemployed residents in the rest of the Bay Area increased 184,500 or 121.5 percent. Statewide, the number of unemployed residents grew 1,327,800 or 142.5 percent over the decade.

All of the regions were on a path to recovering from the spike of unemployment in the early part of the decade when the

impacts of the recession starting to be seen in 2006. Since that time the numbers of unemployed grew by 15,800 residents, with the most significant increase occurring between 2008 and 2009 when 8,400 more residents became unemployed.

Between 2009 and 2010, the numbers of unemployed residents in Solano County increased by 3,100 or 13.6 percent. The numbers of unemployed residents grew by 12 percent in the Sacramento region, 6 percent in the rest of the Bay Area and 9.6 percent statewide.



What does this mean?

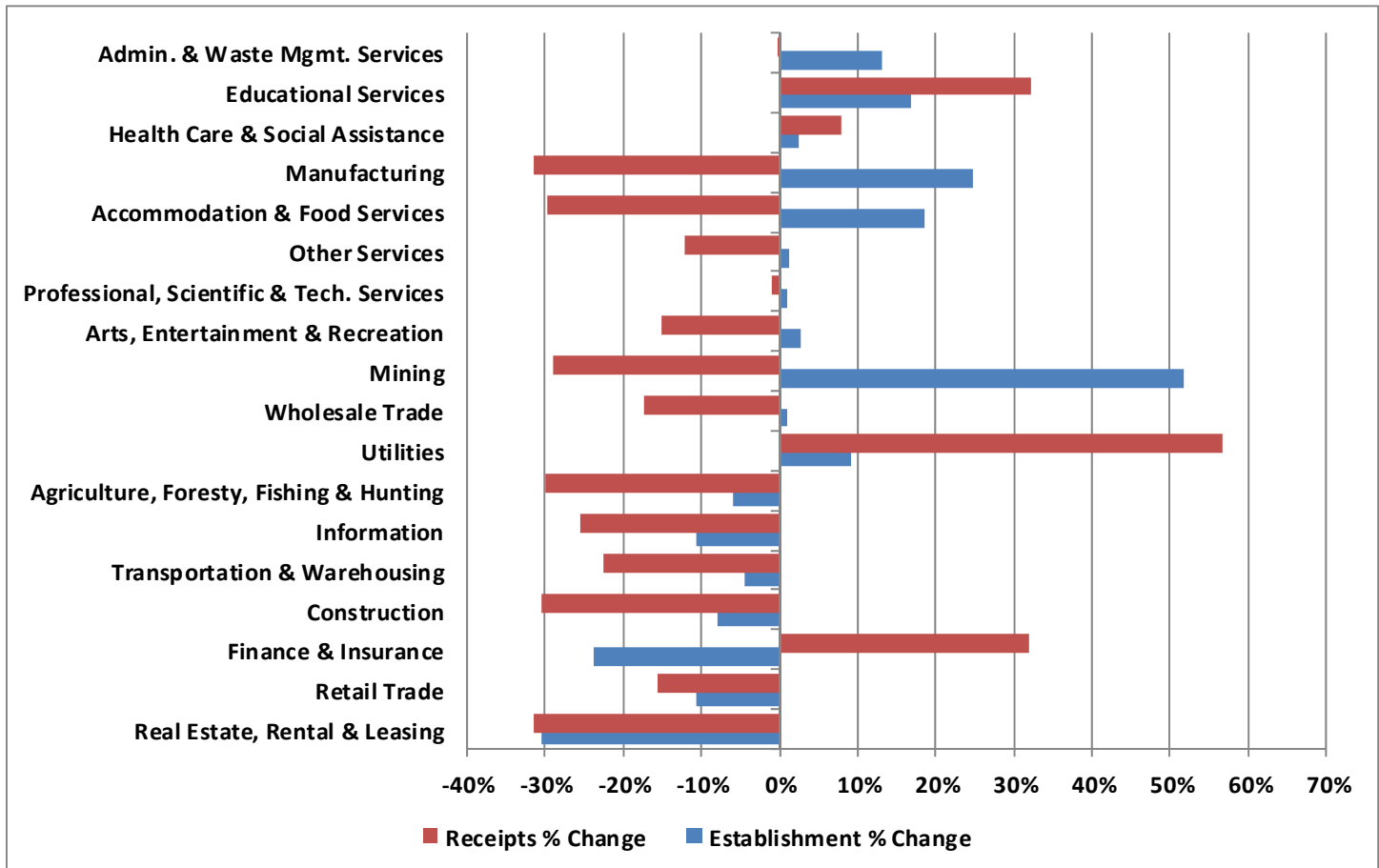
The number of unemployed residents in Solano County is greatly affected by regional employment conditions.

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Solano County Nonemployers

Change in Number of Establishments and Sales Receipts by Industry Sector
From 2005 to 2009



Source: U.S. Census Bureau Nonemployer Statistics, <http://www.census.gov/econ/nonemployer/index.html>. (July 28, 2011)

Between 2005 and 2009, the total number of nonemployers — essentially self-employed individuals — decreased 4.4 percent from 21,107 establishments to 20,176 establishments. Approximately 55 percent of the net decrease of 819 establishments occurred between 2008 and 2009.

Total sales receipts from nonemployers decreased from \$878.6 million to \$739 million, or 16 percent, from 2005 to 2009. Approximately 51 percent of the net decrease of \$139 million in sales receipts occurred between 2008 and 2009.

	% Change in Establishments from 2005 to 2009	% Change in Receipts from 2005 to 2009
Solano County	(4.4%)	(15.9%)
California	2.5%	(14.9%)
United States	3.4%	(11.9%)



What does this mean?

The recession is having a negative impact on both the total number of nonemployers and their overall sales receipts.

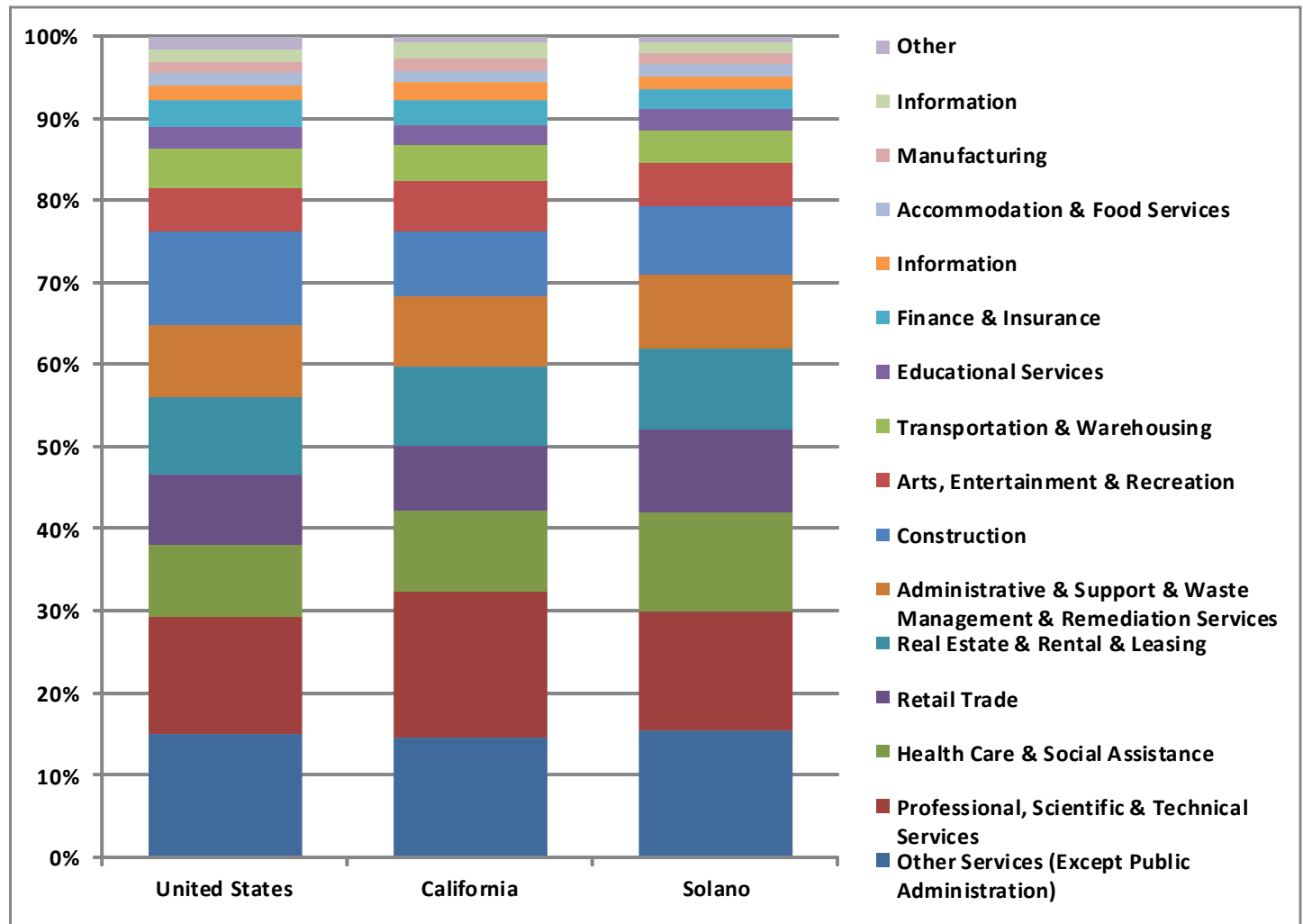
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Percentage of Nonemployers by Industry

United States, California and Solano County

2009



Source: U.S. Census Bureau Nonemployer Statistics, <http://www.census.gov/econ/nonemployer/index.html>. (July 28, 2011) Note: Other includes Agriculture, Forestry, Fishing, & Hunting; Mining; and Utilities

Compared to 2005, the concentration of nonemployers in Administrative & Support & Waste Management & Remediation Services increased 1.4 percent. Real Estate, Rental and Leasing declined by 3.7 percent. All other changes in concentration by industry sector in Solano County was less than 1 percent.

The sectors of concentration of nonemployers in 2005 with 10 percent or more remained the top five in 2009, although Real Estate,

Rental and Leasing slipped from third to fifth.

Among the top five, Solano County has a higher concentration than the state or the nation except in Profession, Scientific and Technical Services. Solano's concentration in this sector at 14.5 percent trails the state at 17.8 percent and exceeds the nation at 14.4 percent. The concentration of the top seven industry sectors in 2005 in Solano County, California and the nation remained the top sectors in 2009.



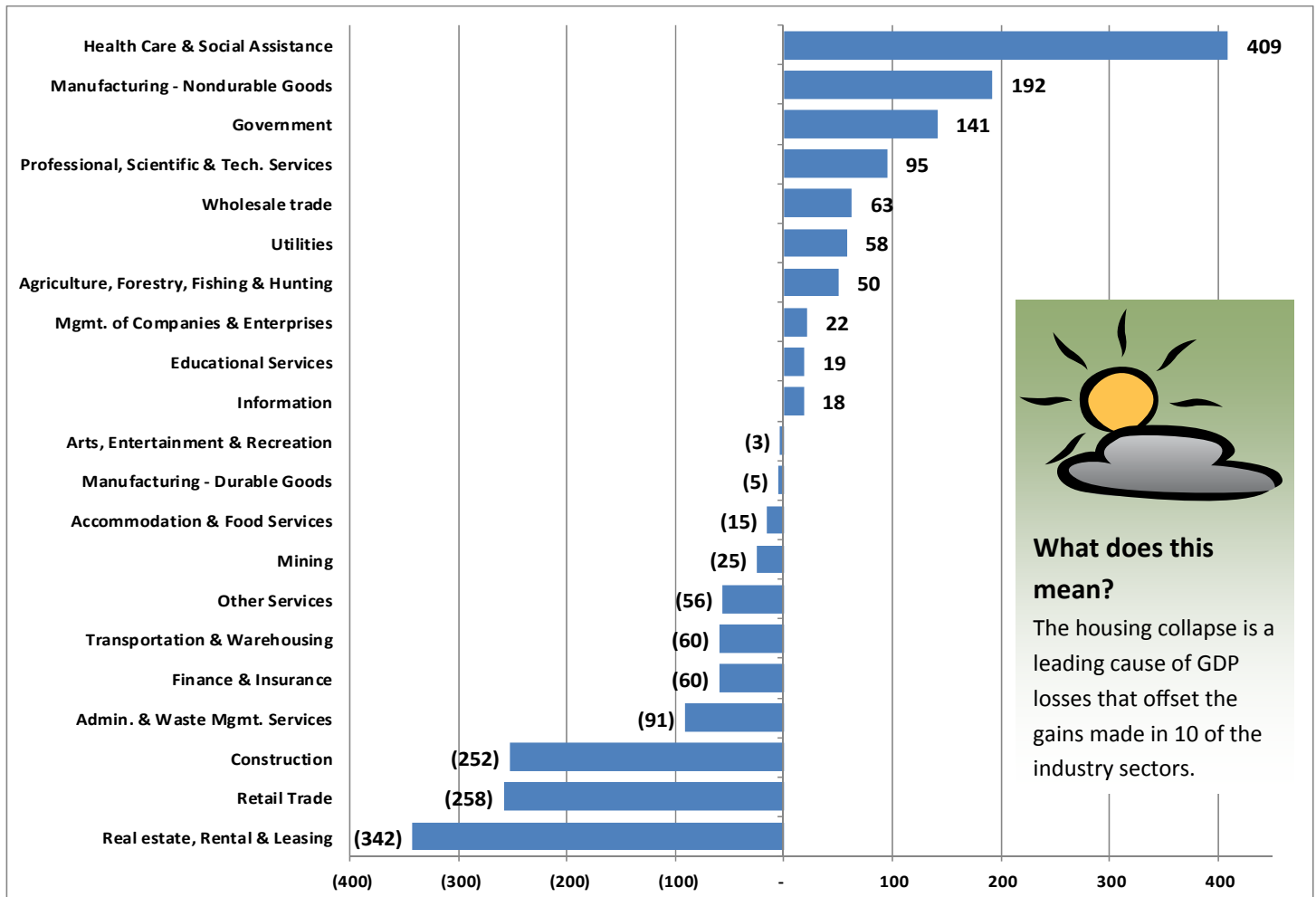
While the number of establishments is down, their share of total nonemployers remains steady in most sectors.

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Solano County Gross Domestic Product

Change in the GDP (millions of 2010 constant dollars) by Industry Sector
From 2005 to 2010



Source: U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/regional/gdpmetro/> (Sept. 29, 2011)

Constant Dollars Conversion, Oregon State University Political Science Department, <http://oregonstate.edu/cia/polisci/faculty-research/sahr/sahr.htm> (June 27, 2011)

After adjusting for inflation, the overall gross domestic product for Solano County — the sum of consumer, government and business spending — shrank by 0.7 percent from \$14.02 billion in 2005 to \$13.93 billion in 2010. Of the 21 industry sectors above, 10 showed positive growth.

Expenditures for the Health Care and Social Assistance Sector increased by 35.5 percent over the period, followed by a 31.5 percent increase in Agriculture, Forestry, Fishing and Hunting; a 29.8 percent increase in Utilities; 29.2 percent increase in Professional, Scientific and Technical Services; and a 24.7 percent increase in Educational Services.

On the down side, Construction declined 24.9 percent; Mining declined 24 percent; Administration and Waste Management Services declined 22.5 percent; and Real Estate, Rental and Leasing declined 21.6 percent.

The top three industry sectors, as a percentage of the total GDP, changed from Government at 18.7 percent, Manufacturing—Non-durable Goods at 14.4 percent and Real Estate, Rentals and Leasing at 11.3 percent in 2005 to Government at 19.9 percent, Manufacturing—Non-durable Goods at 15.9 percent and Health Care and Social Assistance at 11.2 percent.

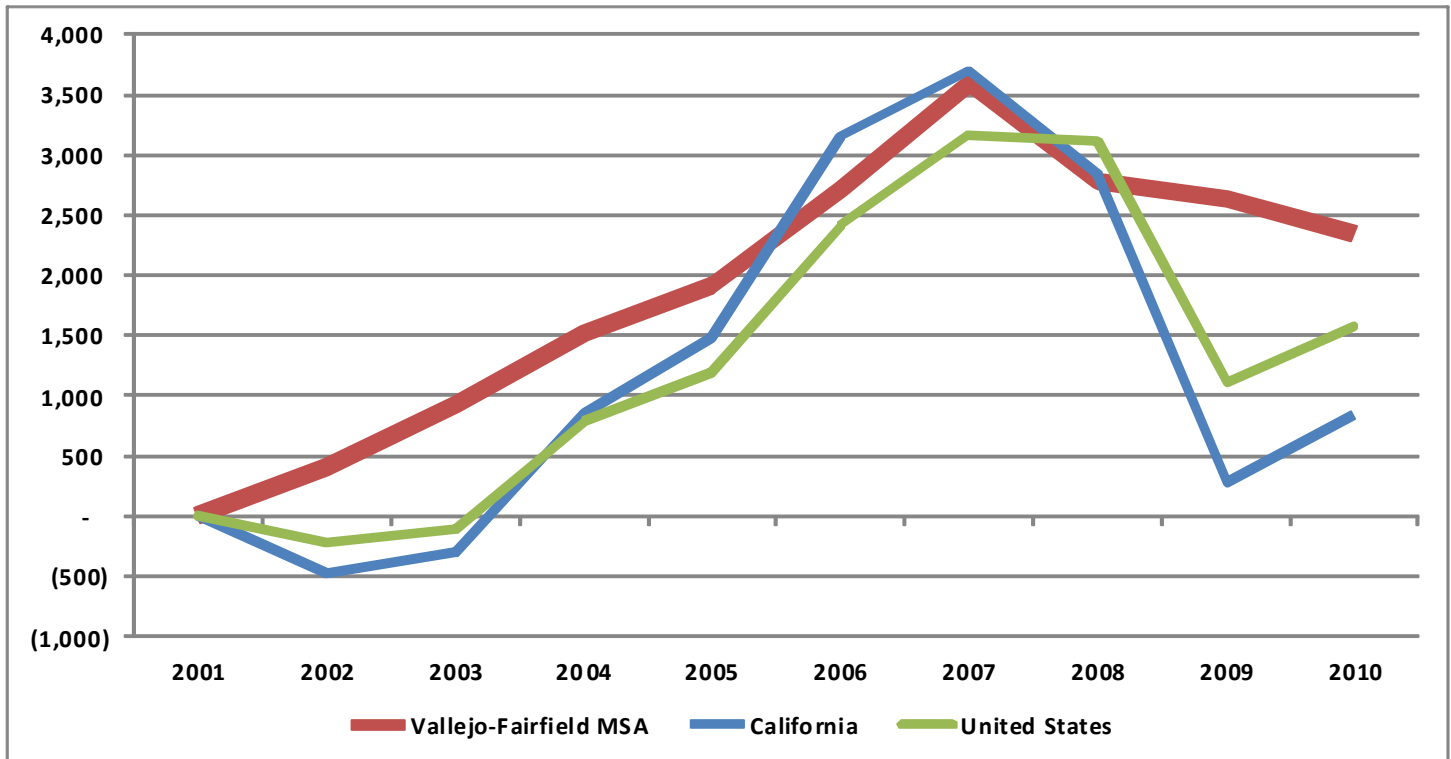
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Growth in Per Capita Personal Income

For Solano County, California and United States

Relative to 2001 (in constant 2010 dollars)



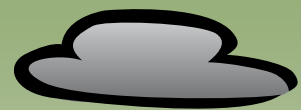
Source: U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=5> (Aug. 9, 2011); Constant Dollars Conversion, Oregon State University Political Science Department, <http://oregonstate.edu/cla/polisci/faculty-research/sahr/sahr.htm> (June 27, 2011)

Between 2001 and 2010, Solano County's growth in per capita personal income outpaced growth in the state and nation. Conversely, per capita personal income losses since 2007 have been less in Solano County than in the state and nation. Per capita personal income in 2010 was \$38,999 for Solano, \$42,578 for California and \$39,945 for the United States.

While Solano County continues to trail the state and nation in per capita income, gains

between 2001 and 2010 have reduced this disparity, reducing the per capita personal income gap from \$5,084 to \$3,579 with the state and \$1,711 to \$946 with the nation.

Personal income is defined as the sum of wages and salary disbursements (including stock options), supplements to wages and salaries, proprietors' income, dividends, interest, rent and personal current transfer receipts, less contributions for government and social insurance.



What does this mean?

Gains in per capita personal income in Solano County are reducing the income disparity with California and the nation.

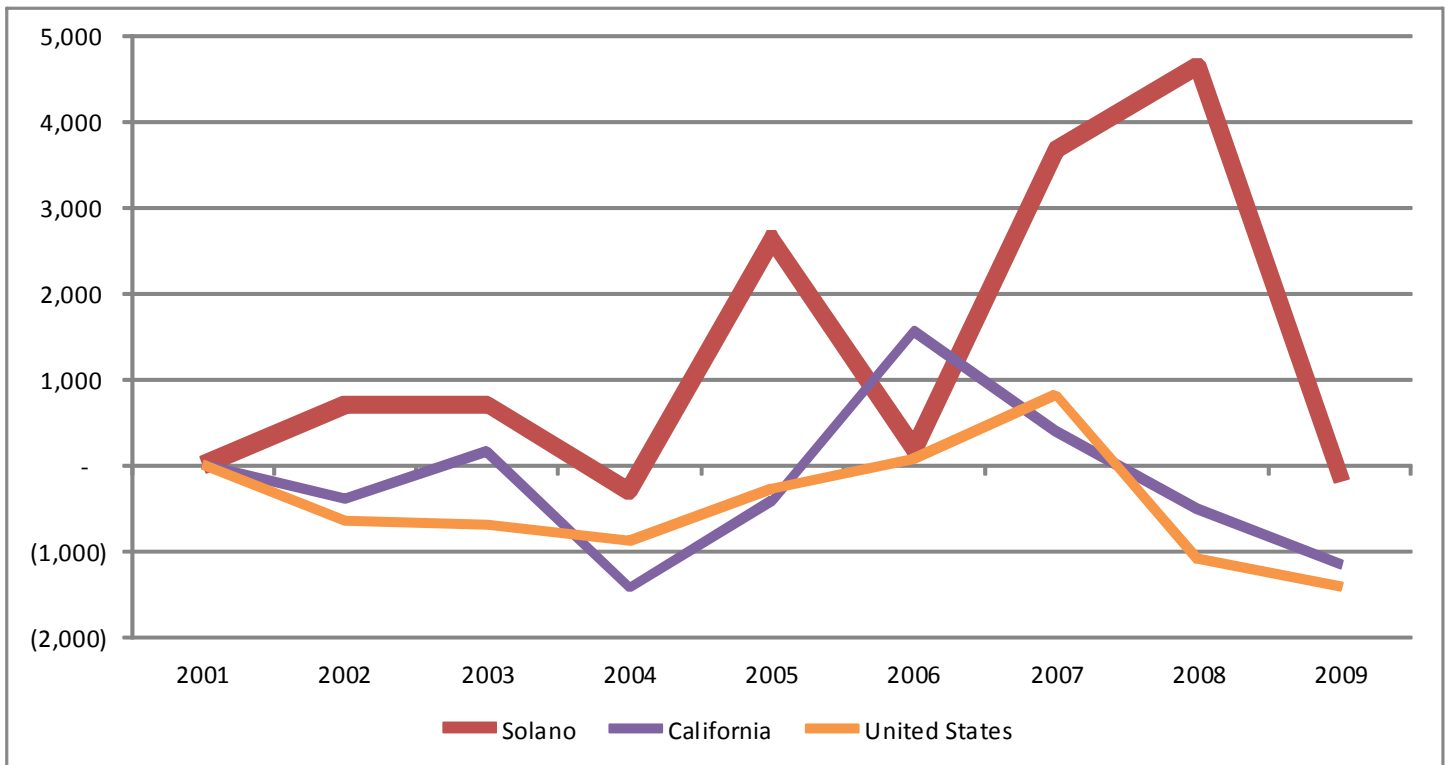
	2001 to 2010 Gain/(Loss)	2001 to 2010 % Gain/(Loss)	2007 to 2010 Gain/(Loss)	2007 to 2010 % Gain/(Loss)
Solano	\$2,339	6.4%	(\$1,265)	(3.1%)
California	\$834	2.0%	(\$2,859)	(6.3%)
United States	\$1,574	4.1%	(\$1,597)	(3.8%)

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Median Household Income

For Solano County, California and United States
Relative to 2001 (in constant 2009 dollars)



Source: U.S. Census Bureau, <http://www.census.gov/did/www/saie/index.html> (Nov. 29, 2011) Constant Dollars Conversion, Oregon State University Political Science Department, <http://oregonstate.edu/cia/polisci/faculty-research/sahr/sahr.htm> (June 27, 2011)

Between 2001 and 2009, Solano County fared better on changes in median household income (after adjusting for inflation) than California and the nation — both in dollar declines and percentage declines. However, losses in median household income from its peak in 2008 were more severe in Solano County. Median household income in 2009 was \$65,079 for Solano, \$56,134 for California and \$49,777 for the United States.

Although median household income had dramatic highs and lows over the last nine years, Solano County only experienced a modest net decrease of \$172 for the period.

Between 2001 and 2009, Solano County continued to have a higher median household income than the state and the nation.



What does this mean?

Despite losses since 2008, Solano County continues to have a higher median household income than the state and the nation.

	2001 to 2009 Gain/(Loss)	2001 to 2009 % Gain/(Loss)	2007 to 2009 Gain/(Loss)	2007 to 2009 % Gain/(Loss)
Solano	\$2,339	6.4%	(\$1,265)	(3.1%)
California	\$834	2.0%	(\$2,859)	(6.3%)
United States	\$1,574	4.1%	(\$1,597)	(3.8%)

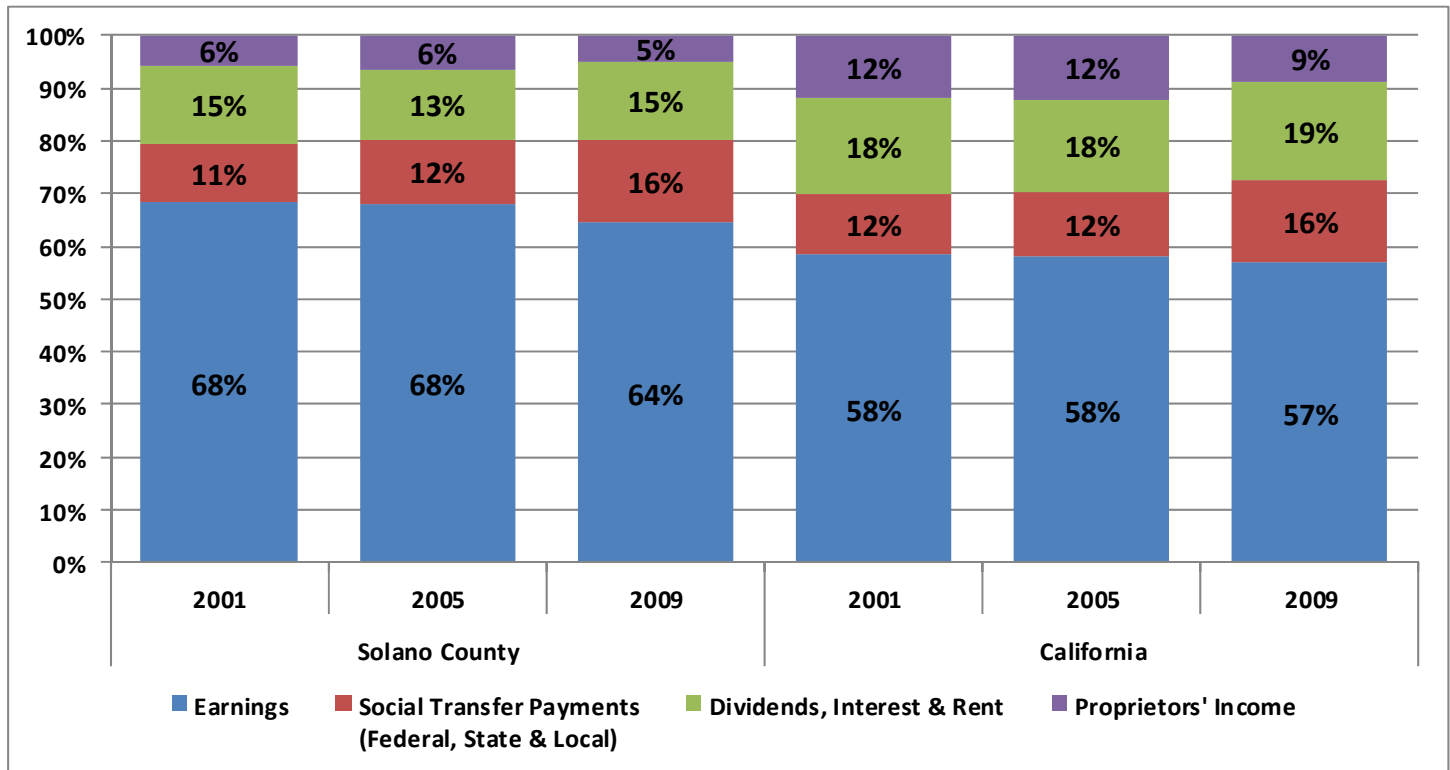
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Sources of Personal Income

For Solano County and California

2001, 2005 and 2009 (in constant 2009 dollars)



Source: U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=5> (Aug. 9, 2011); Constant Dollars Conversion, Oregon State University Political Science Department, <http://oregonstate.edu/cia/polisci/faculty-research/sahr/sahr.htm> (June 27, 2011)

Between 2001 and 2009, Total Personal Income in Solano County income grew by 8.8 percent, and the sources of personal income changed. Social Transfer Payments grew almost proportionately to the reduction in Earnings.

Among the various sources of Social Transfer

Payments are military retirement incomes, veteran benefits and Social Security.

Between 2007 and 2009, Total Personal Income in Solano County declined at a slower rate than the state in most categories and grew faster than the state in Social Transfer Payments.

	Solano		California	
	01 to 09	07 to 09	01 to 09	07 to 09
Earnings	+ 3	-6%	+5%	-7%
Dividends, Interest & Rents	+9%	-2%	+11%	-10%
Social Transfer Payments (Federal, State & Local)	+54%	+23%	+46%	+20%
Proprietors' Income	-7%	-14%	-20%	-23%
Total Personal Income	+9%	-2%	+8%	-6%



What does this mean?

Solano County's gain in social transfer payments almost equals its loss in personal income from wages.

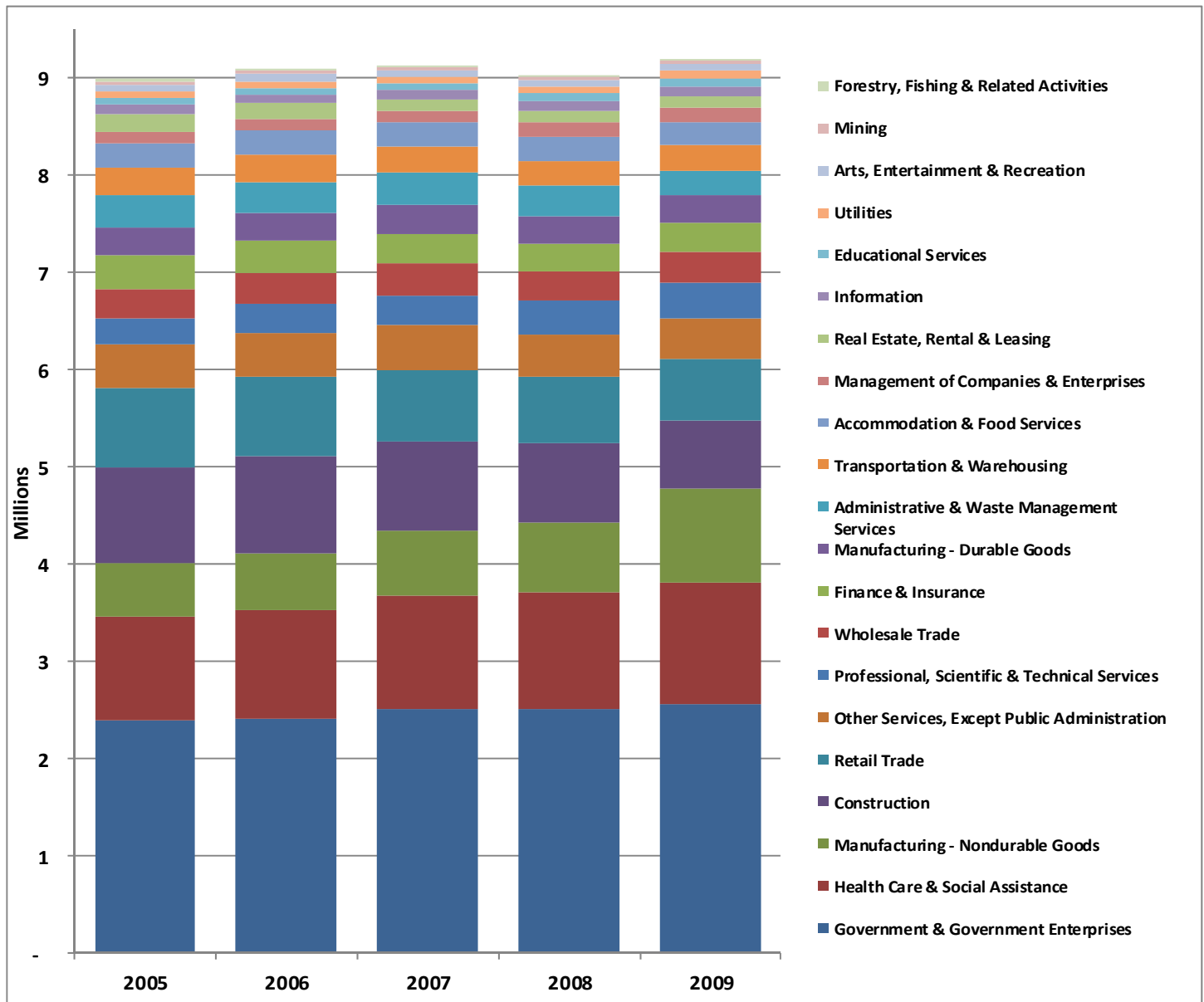
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Sources of Personal Income by Industry

For Solano County

2005 to 2009 (in constant 2009 dollars)



Source: U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=5> (April 21, 2011)

Constant Dollars Conversion, Oregon State University Political Science Department, <http://oregonstate.edu/cla/polisci/faculty-research/sahr/sahr.htm> (June 27, 2011)

Nine of the 21 industry sectors above experienced net positive growth in personal income between 2005 and 2009. All but eight of these sectors experienced personal income growth between 2008 and 2009 and represent 64 percent of the personal income by industries.

Sectors leading personal income growth are Manufacturing-Nondurable Goods, 74 percent; Professional, Scientific &

Technical Services, 42 percent; Management of Companies & Enterprise, 32 percent; and Education Services, 28 percent.

Sectors with significant reductions in personal income include Real Estate, Rental & Leasing, 43 percent; Construction, 30 percent; Retail Trade, 23 percent; and Administrative & Waste Management Services, 21 percent.



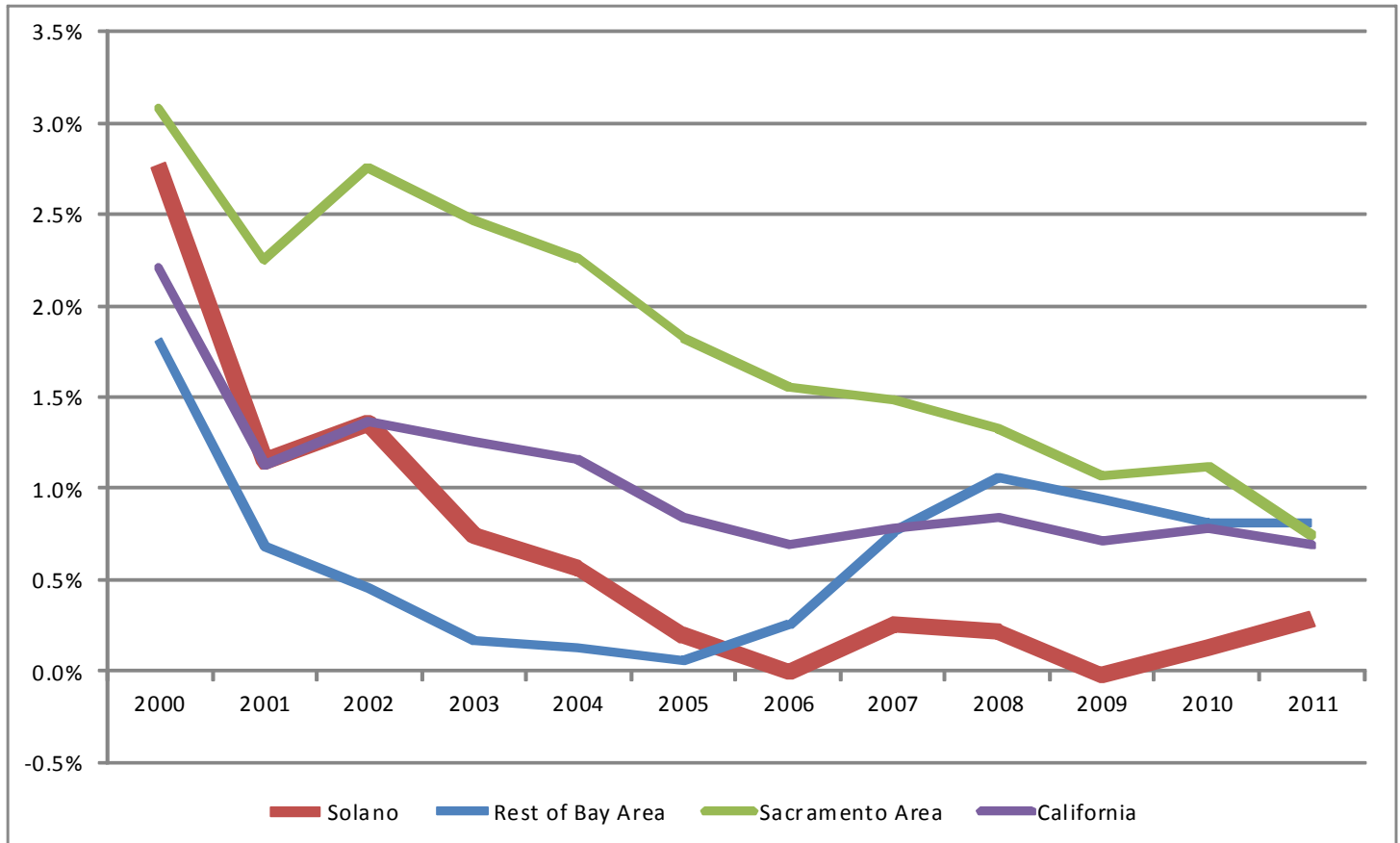
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Population Growth

For Solano County, Rest of Bay Area, Sacramento Area and California

Percent change over prior year



Source: California Department of Finance, <http://www.dof.ca.gov/research/> (Jan. 1, 2011)

In contrast to the previous decade, Solano County has slowed its rate of population growth significantly. Since 2000 Solano County population grew by 5 percent. Between 1990 and 2000, the county's population of 339,471 residents grew by 55,459 or 16.3 percent. Between 2000 and 2010, the population grew 18,414 or 4.7 percent. Between 2010 and 2011, Solano County grew 0.3 percent — the slowest

growth of any county in the neighboring Bay Area and Sacramento regions. Between 2010 and 2011, the rest of the Bay Area population grew by 0.8 percent to bring the total growth since 2000 up to 6.3 percent. The Sacramento region grew by 0.7 percent between 2010 and 2011 for a 20.5 percent total population growth since 2000. California also grew by 0.7 percent between 2010 and 2011 and 10.7 percent since 2000.

	Solano County	Rest of Bay Area	Sacramento Area	California
2000	394,930	5,930,804	1,936,006	33,873,086
2011	414,509	6,304,449	2,333,271	37,510,766
Growth	19,576	373,645	397,265	3,637,680



What does this mean?

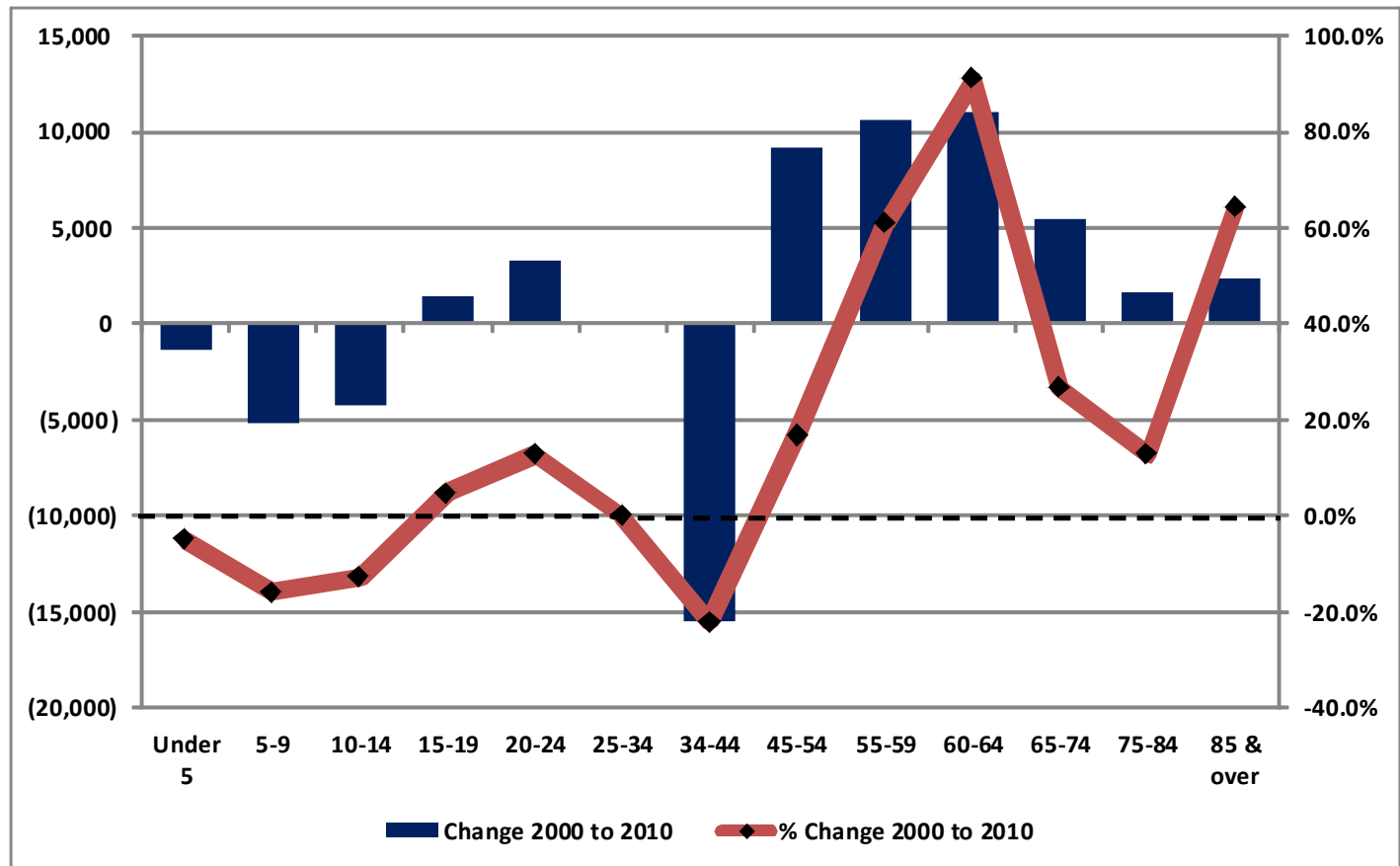
Solano County's population is growing at a modest pace.

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Change in Age of Population in Solano County

2000 to 2010



Source: U.S. Census Bureau, <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml> (January 12, 2012)

Solano County's age gap widened over the decade. People age 60 and older increased by 41.5 percent and represent 17 percent of the population, up from 12.6 percent in 2000. The most significant gains were in the 60 to 64 age range, growing by 91 percent and nearly doubling its share of the population.

At the other end of the spectrum, residents age 19 and under decreased by 7.6 percent or

9,342 people. This groups share of the population declined from 31.1 percent to 27.4 percent.

The primary working adult age group — age 20 to 59 — increased by 3.4 percent, but shrank slightly as a share of the total population. The 25 to 34 age category was virtually unchanged over the decade, and the 35 to 44 age category declined 22.2 percent.

	Change from 2000 to 2010	2000 Share of Population	2010 Share of Population
Under 5	-4.9%	7.2%	6.5%
5 to 19	-8.4%	23.9%	20.9%
20 to 59	3.4%	56.4%	55.7%
60 and over	41.5%	12.6%	17.0%



What does this mean?

A shrinking youth population, shrinking middle section of the working age, and an increasing over 60 population will impact long-term workforce availability.

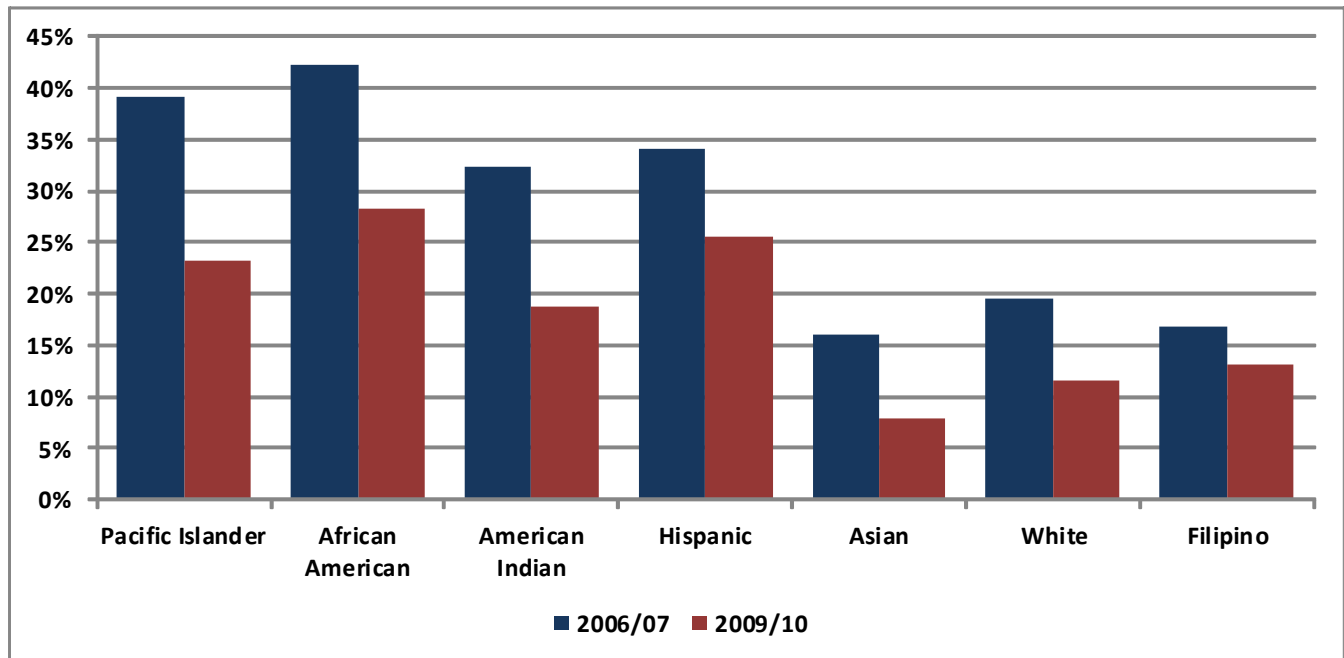
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High School Dropout Rate

Changes in the high school dropout rate by ethnicity

2006-2007 to 2009-2010 school years



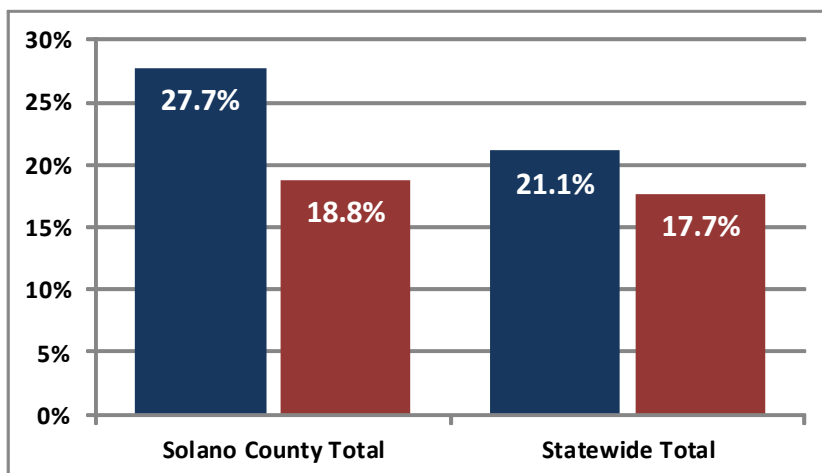
Source: California Department of Education, <http://dq.cde.ca.gov/dataquest/> (Sept. 12, 2011)

Solano County has made strides toward reducing the high school dropout rate — countywide and by the respective ethnicities. From the 2006-07 to 2009-10 school years, the high school dropout rate declined from 27.7 percent to 18.8 percent. The county went from having a 6.6 percent gap with the state to only a 1.1 percent gap.

Students identified with Pacific Islander,

African American and American Indian ethnicities experienced double digit reductions in the dropout rate — 15.9 percent, 14 percent and 13.6 percent respectively.

Students identified with Hispanic, Asian and White ethnicities all had about 8 percent reductions in the dropout rate.



What does this mean?

While the dropout rate and the ethnicity gap is declining, the dropout rate continues to be higher than the state.

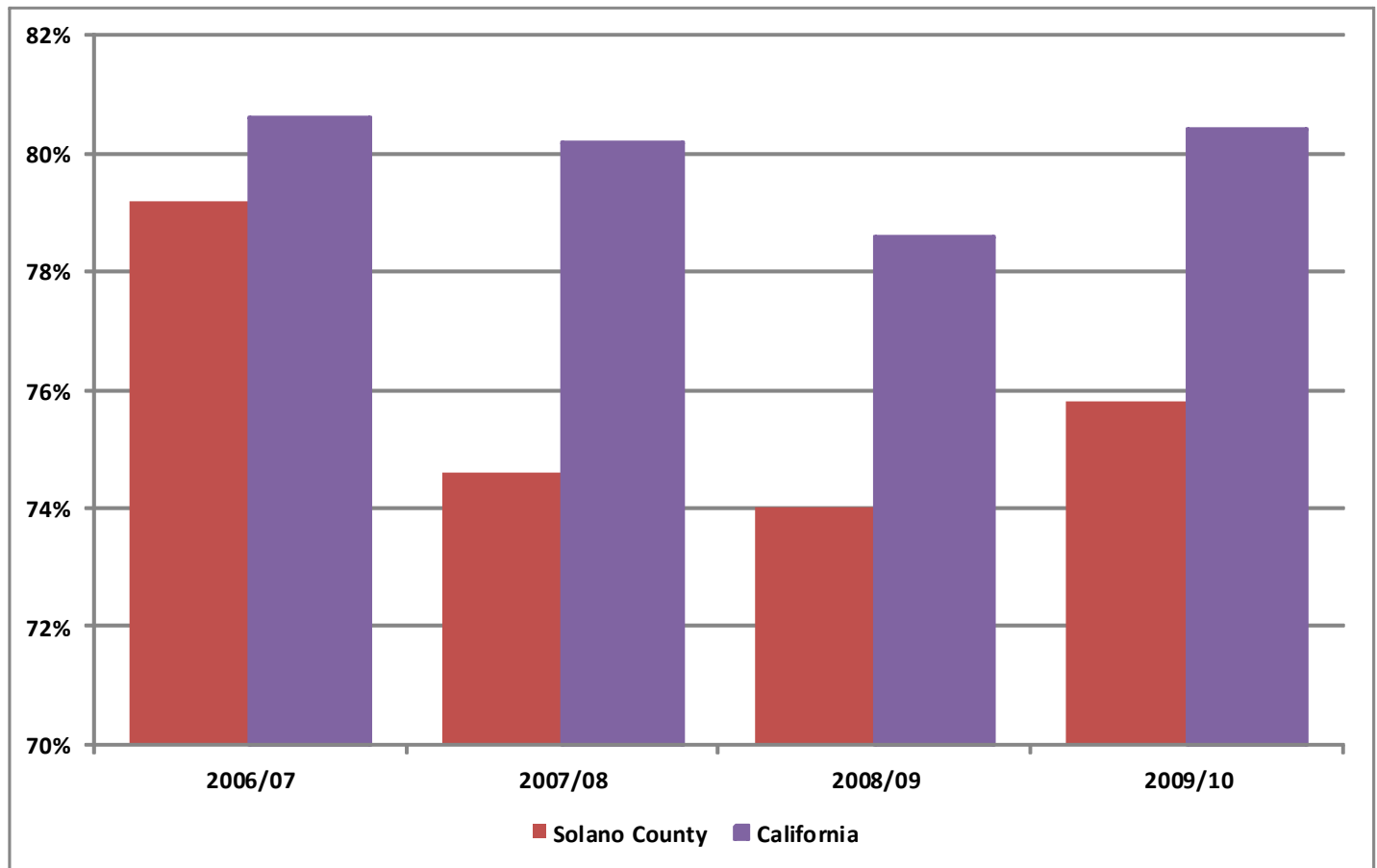
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High School Graduation

Rate of High School Graduation

2006-2007 to 2009-2010



Source: California Department of Education, <http://dq.cde.ca.gov/dataquest/>, (Sept. 21, 2011)

Over the four-year period, the graduation rate from Solano County public schools declined from 79.2 percent to 75.8 percent. Between the 2008/09 and 2009/10 school years, the Solano County graduation rate increased from 74 percent to 75.8 percent.

Statewide the graduation rate was relatively stable over the four-year period, going from 80.6 percent to 80.4 percent. Between the 2008/09 and 2009/10 school years, the statewide graduation rate went from 78.6 percent to 80.4 percent.



What does this mean?

A modest uptick in the graduation rate in 2009/10 school year reverses a decline in the graduation rate.

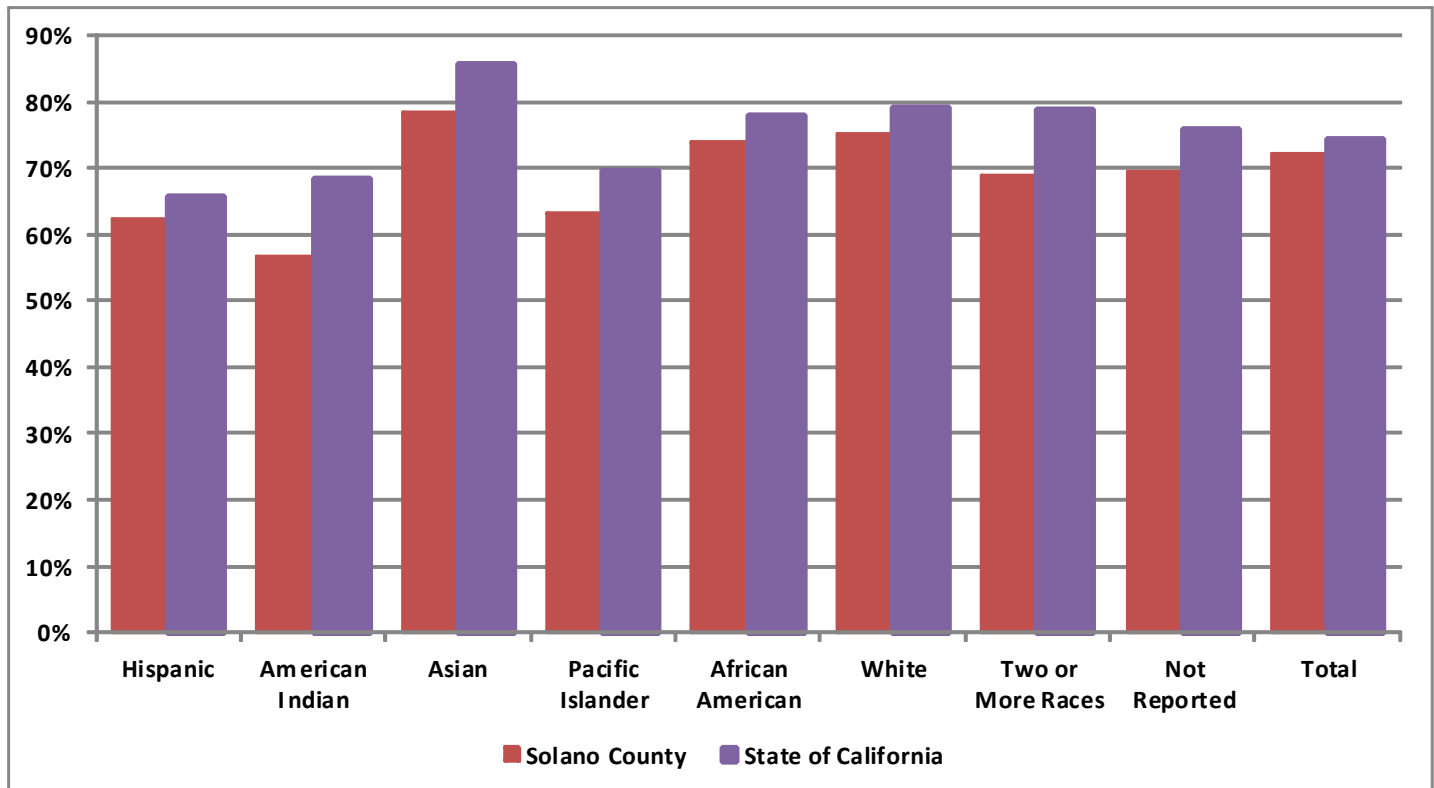
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High School Graduates Attending Post Secondary Institutions

Graduates attending colleges in and out of California

2008-2009



Source: California Department of Education, <http://dq.cde.ca.gov/dataquest/>, Sept. 12, 2011

This is the first year data is available that tracks the attendance of California high school graduates who are attending post secondary institutions, regardless of where the colleges are located across the United States. A total of 72 percent of Solano County high school graduates were attending college. The county trails the state average by 2.1 percent.

Students of Asian decent had the highest rate of college attendance in Solano County at 78.4 percent, yet trailed the state average in that ethnic group by 7.3 percent.

An estimated 63 percent of Hispanic students in Solano County are attending college. This group also represents the narrowest gap — 3.4 percent — with any statewide group.

The estimated of White and African-American students attending post secondary institutions was 75 percent and 74 percent, respectively. Both student groups trailed the state by 3.9 percent.



72%

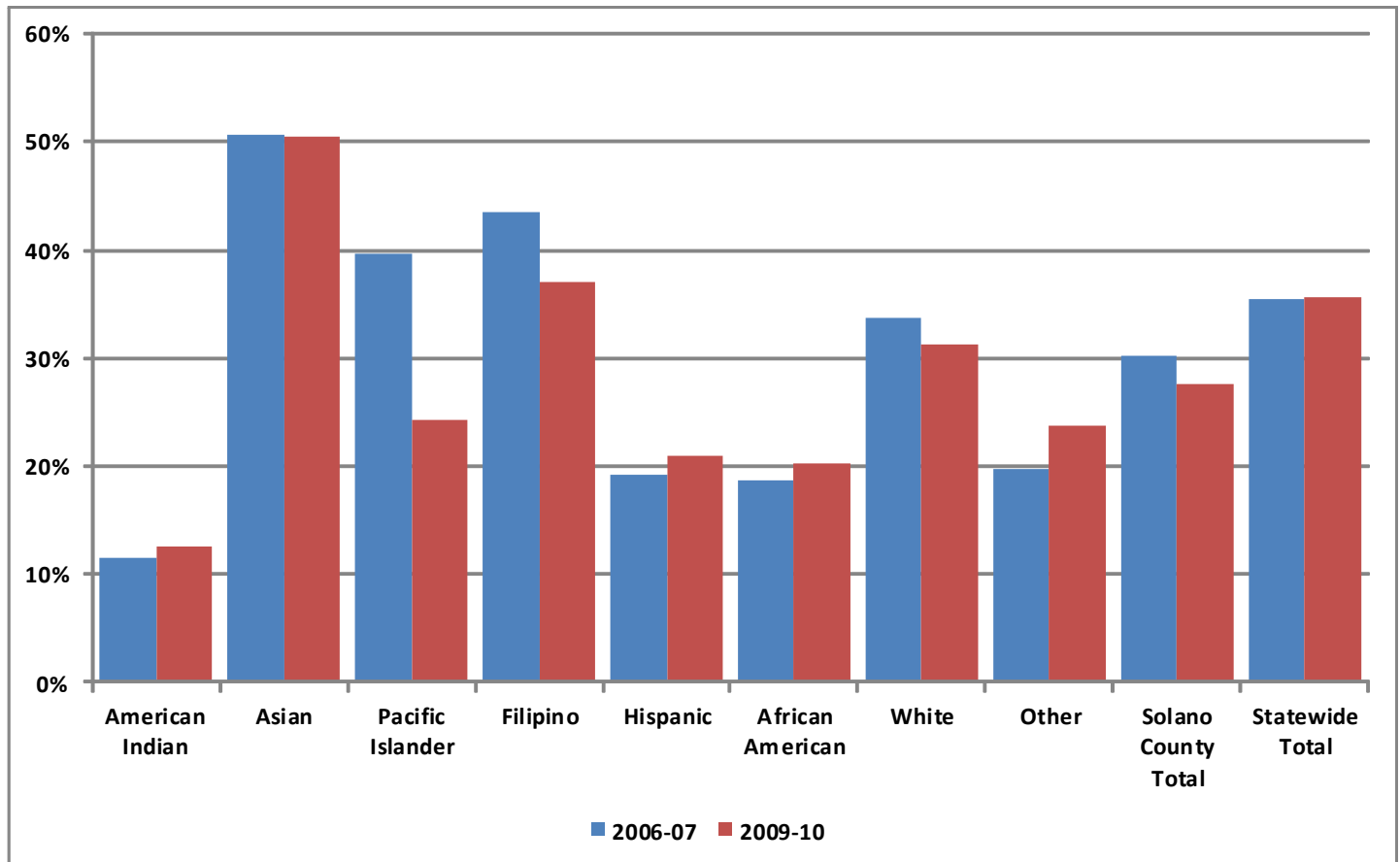
Number of Solano County high school graduates attending college.

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Graduates with UC/CSU Required Courses

Percentage of Graduates Who Meet UC/CSU Requirements by Ethnicity
2006-2007 to 2009-2010



Source: California Department of Education, <http://dq.cde.ca.gov/dataquest/>, (Sept. 12, 2011)

The overall number of high school graduates in Solano County who met requirements for the University of California (UC) and California State University (CSU) entrance requirements declined from 30.3 percent to 27.6 percent over the four-year period. At the same time, the statewide statistics improved modestly from 35.5 percent to 35.6 percent.

Four groups showed increases: Hispanic gained 1.7 percent to 21 percent, African American gained 1.6 percent to 20.3 percent, American Indian gained 1 percent to

12.5 percent and Other gained 4.1 percent to 23.8 percent. Four groups showed declines: Pacific Islander down 15.5 percent to 24.2 percent, Filipino down 6.5 percent to 37 percent, and White down 2.6 percent to 31.2 percent. Asian remained relatively stable over the four years.

Statewide, all ethnic groups showed gains of 1.3 percent to 2.6 percent, except for Asian which remained virtually unchanged and Other, which declined by 3.1 percent.



What does this mean?

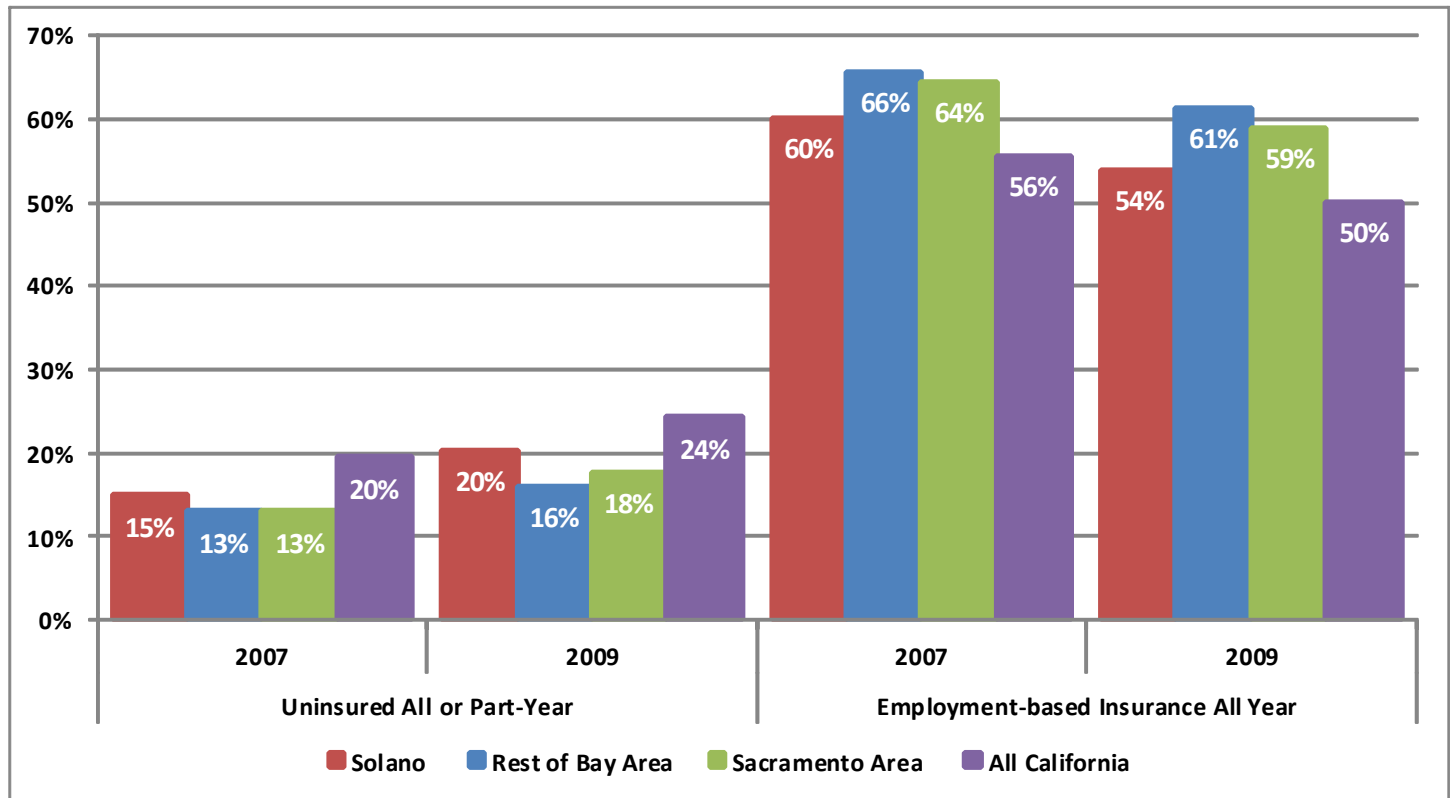
Hispanic and African-American students showed increases; however, the overall percentage of graduates meeting UC/CSU requirements declined.

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Health Insurance Coverage

Percent of Population (0-64) Uninsured All or Part of Year
and Percent Having Employment-Based Insurance All Year
2007 to 2009



Source: UCLA Center for Health Policy Research and California Health Interview Survey, <http://www.healthpolicy.ucla.edu/Default.aspx>, (August 2010)

Compared to the state, a higher percentage of Solano County residents have health insurance coverage. In 2009, nearly 54 percent of Solano County residents had employment-based health insurance — roughly 4 percent greater than the percentage of overall California residents. In contrast, Solano County trails the neighboring Bay Area and Sacramento regions by 7 percent and 5 percent respectively in employment-based coverage.

The uninsured made up 20 percent of the Solano County's population in 2009. The number of uninsured Solano County residents increased by 46 percent or 24,785

from 2007 to 2009. During that same period the number of residents covered by employment-based insurance decreased by 4 percent or 9,115.

The California Health Survey is conducted every two years.

Path2Health, a two-year pilot project of the County Medical Services Program launched in January 2012, expands the number of low-income individuals in Solano County who are eligible for public-funded health insurance coverage. Federal healthcare reforms are slated to take effect in 2014.



What does this mean?

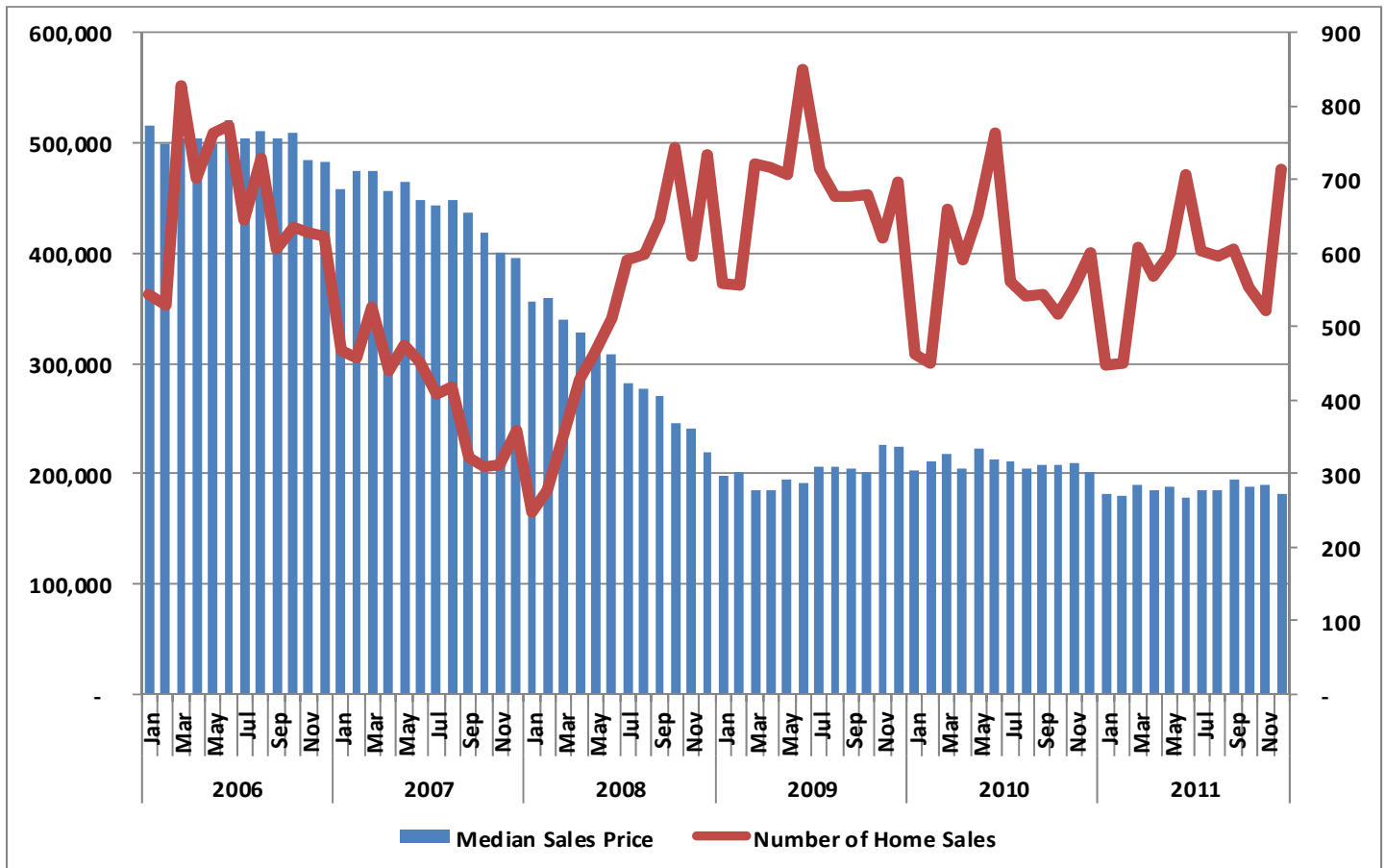
With sustained double-digit unemployment since 2009, a decline in employment-based insurance is anticipated.

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Trends in Home Sales in Solano County

Median Sale Price and Number of Home Sales
2006 to 2011 (in constant 2011 dollars)



Source: MDA DataQuick Information Systems, <http://dqnews.com/Articles/archive.aspx>. (Jan. 18, 2012) Constant Dollars Conversion, Oregon State University Political Science Department, <http://oregonstate.edu/cia/polisci/faculty-research/sahr/sahr.htm> (June 27, 2011)

The median sales price for homes in Solano County declined \$338,825 or 63 percent from \$521,075 in June 2006 (the peak price of the period) to \$182,250 in December 2011. Between 2006 and 2011 the number of annual homes sold declined 996 or 12.4 percent. The median sales price for homes in December 2011 reflects a \$15,500 or 7.8 percent decline from December 2010. Sales activity increased 19.6 percent, going from 601 in 2010 to 714 in 2011.

The lower median home price has both positive and negatives affects. On the up side Solano County is the most affordable county in the Bay Area for home ownership with 75

percent of home buyers able to afford a median-priced, existing single family home, according to the California Association of Realtors Traditional Housing Affordability Index. For the third quarter of 2011, the Bay Area was at 38 percent, statewide at 52 percent and United States at 67 percent.

On the negative side, the return to sales volume of pre-housing market collapse on homes of less than half the price of five years ago is changing the long-term Proposition 13 property assessment base that provides property tax revenues to the county, school districts and the cities.



What does this mean?

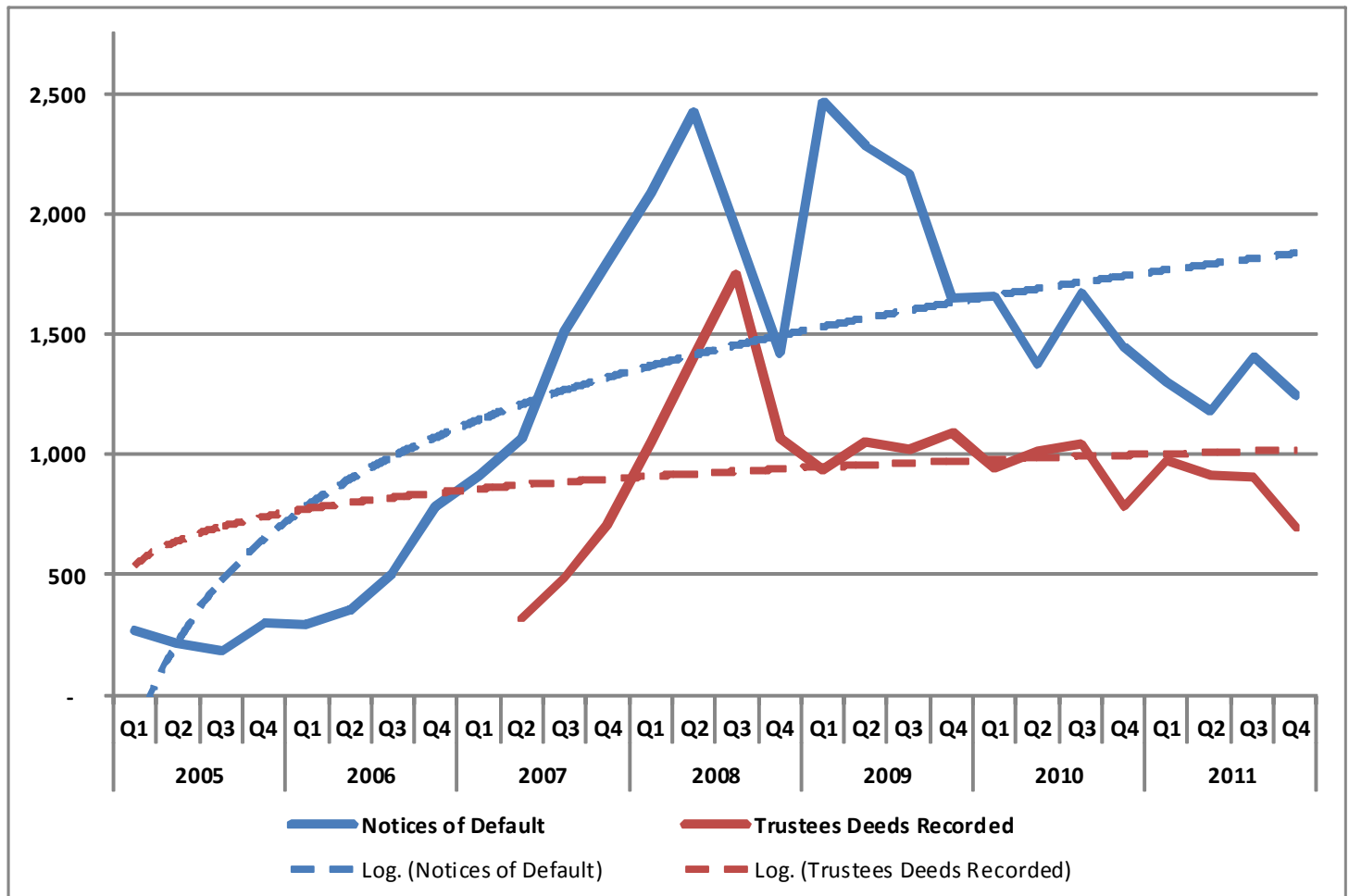
Affordable housing is attractive to prospective employers, but is offset by reduced community services paid with declining tax revenues.

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Foreclosure Activity in Solano County

Notices of Default and Trustee Deeds Recorded
2005 to 2011



Source: MDA DataQuick Information Systems, <http://dqnews.com/Articles/archive.aspx>. (Jan. 25, 2012) DataQuick did not report detailed information on trustee deeds until 2007.

From 2010 to 2011, notices of defaults in Solano County are down 16.5 percent and trustee deeds recorded are down 7.7 percent. The recent settlement with banks over foreclosure abuses will bring relief to some homeowners; however, industry experts believe it may also spark a temporary increase in foreclosure activity.

Statewide, DataQuick reported for the fourth quarter of 2011 that foreclosures were concentrated on loans originating between 2005 and 2007 and on median home prices below \$200,000. Homeowners were behind a

median of nine months on their mortgage.

The dip in late 2008 reflects the implementation of SB 1137, which modified the procedures for filing notices of defaults that extended the time a mortgage was in default before the bank could file notices. The revised process applies only to owner-occupied mortgages made between 2003 and 2007. The law sunsets on January 1, 2013.

The filing of a notice to default is the first step in the foreclosure process. The recording of the trustee deed is a signal the homes were lost to foreclosure.



What does this mean?

While it appears to be improving, foreclosure activity continues to threaten the local housing market.

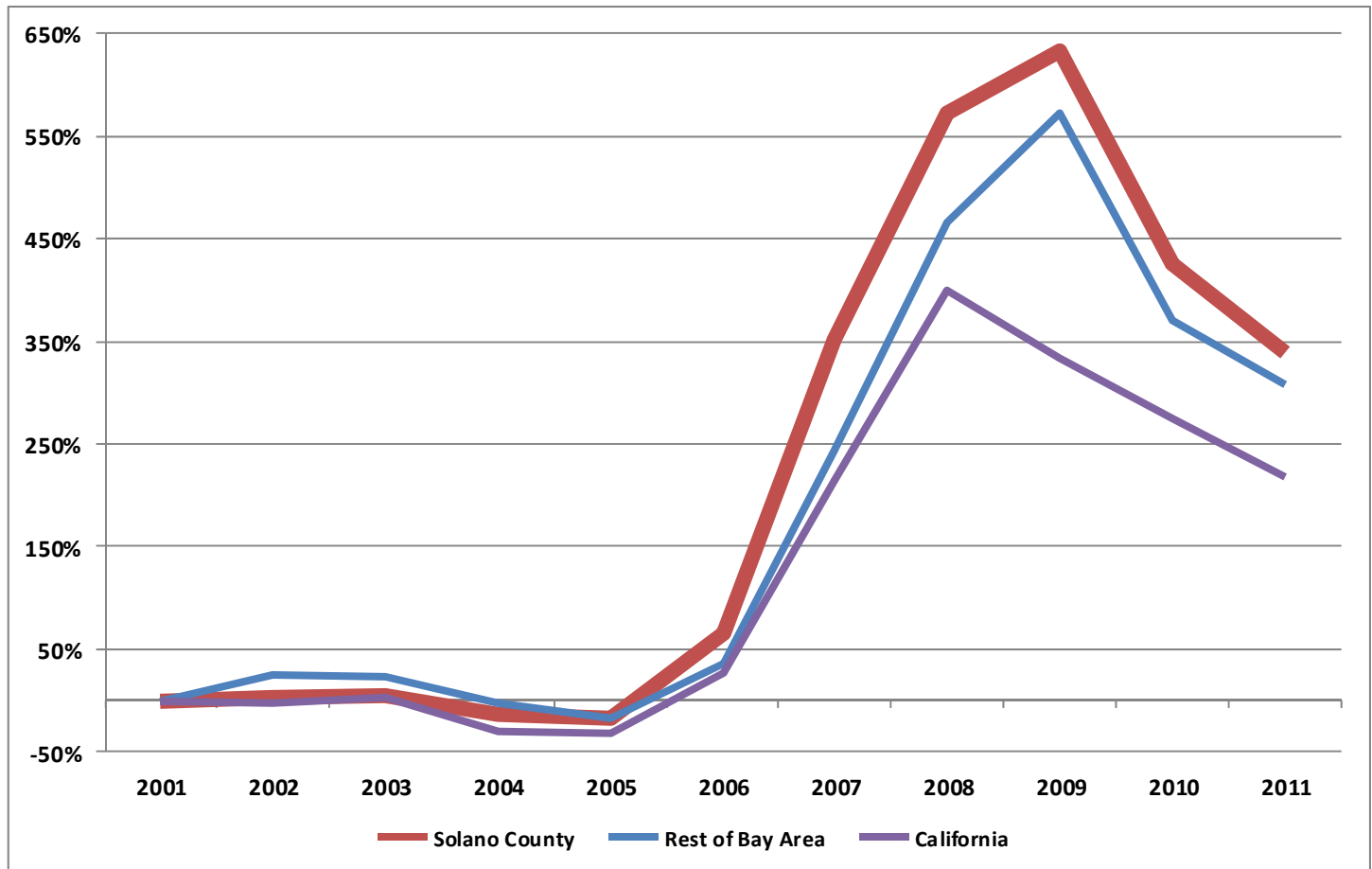
Index of Economic and Community Progress

Information posted February 15, 2012

Change in Notices of Default

For Solano County, Rest of Bay Area and California

Trends relative to 2001



Source: MDA DataQuick Information Systems, <http://dqnews.com/Articles/archive.aspx>. (Jan. 25, 2012). DataQuick did not report on the Sacramento area for the entire comparison period.

The rise in notices of default starting in 2006 reflects the collision of weak underwriting standards, the collapse of the housing market and job losses from the Great Recession. The prospect of substantial improvement is not anticipated until more clarity exists on the final disposition on the “shadow inventory,” a suspected volume of pending foreclosures being held by financial institutions.

Relative to 2001, the number of notices of default have increased 339 percent. Relative to 2005 — the lowest number of annual notices of default of the decade — the

increase is 432 percent. The number of annual notices of defaults was 1,169 in 2001, 966 in 2005 and 5,137 in 2011. The peak year was 8,561 in 2009.

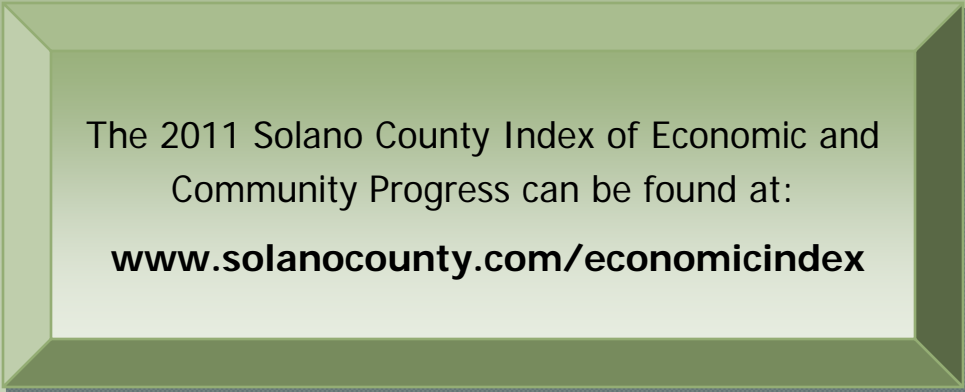
In 2001, Solano County accounted for 11.1 percent of the notices of default in the Bay Area and 1.4 percent of the notices in California. In 2011, Solano County represented 15.4 percent of the Bay Area and 2 percent of the state.

Solano County represents 6.2 percent of the Bay Area population.



What does this mean?

While the number of notices of default is declining the number is 339% higher than before the housing market collapse.



The 2011 Solano County Index of Economic and
Community Progress can be found at:
www.solanocounty.com/economicindex

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