

Q3 2012



El Dorado County Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

El Dorado County In Brief

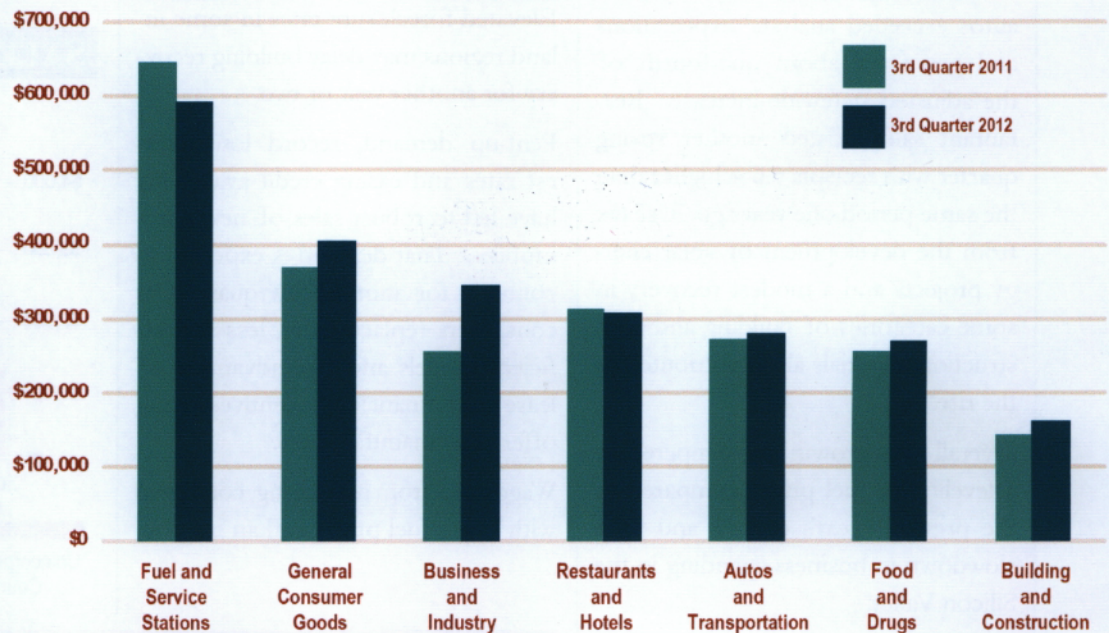
Receipts for third quarter taxable sales in the unincorporated area rose 3.7% compared to the same period one year ago. Actual sales increased 2.8% when accounting anomalies were factored out.

Business and industry group totals were buoyed by strong sales from outlets reporting in light industrial/printers and a onetime boost from receipts generated by the county's ongoing point of sale audit program. Adjustments also provided a temporary lift to proceeds from contractor supplies and general consumer goods. Solid automotive group sales were partially offset by a negative adjustment.

Receipt of double-up payments in the year-ago period exaggerated service station losses; group totals actually slipped 1.6%. Restaurant group comparisons were depressed by a reporting problem that temporarily cut returns from hotels-liquor.

Adjusted for reporting aberrations, sales and use tax receipts for all of El Dorado County were 4.3% higher over the same period; Sacramento regional totals were up 6.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Cameron Park Petroleum	Mason West
Camp Richardson Resort	McDonalds
Chevron	Meeks Building Center
Circle K 76	Mercedes Benz of El Dorado Hills
Crystal View Shell	Oce North America
CVS Pharmacy	Quick Stop Market
Dawson Oil	Safeway
DST Innovis	Safeway Fuel Center
El Dorado Hills Chevron	Shell
Golden State Flow Measurement	Shingle Springs Honda
K Mart	Shingle Springs Nissan Subaru
Lees Feed & Western Store	Target
	Walmart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$4,365,405	\$4,635,852
County Pool	698,278	721,582
State Pool	644	1,494
Gross Receipts	\$5,064,328	\$5,358,928
Less Triple Flip*	\$(1,266,082)	\$(1,339,732)

*Reimbursed from county compensation fund

NOTES

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

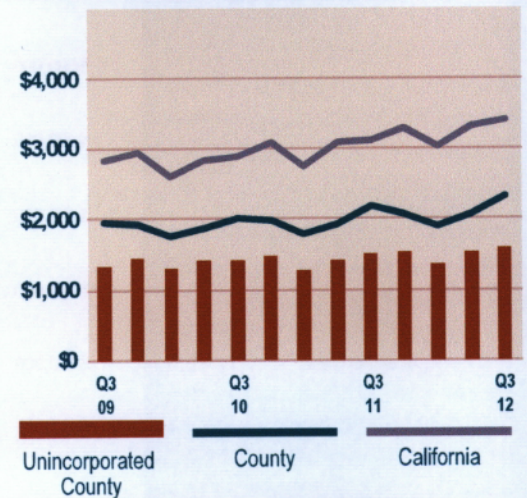
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q3 '12*	Change	Change	Change
Automotive Supply Stores	48.6	-2.0%	-2.9%	0.7%
Business Services	54.5	-1.4%	-0.6%	-1.2%
Contractors	75.5	27.6%	13.3%	7.0%
Discount Dept Stores	— CONFIDENTIAL —	—	14.7%	15.5%
Drug Stores	45.7	4.9%	-1.2%	0.4%
Grocery Stores Beer/Wine	48.5	-4.9%	-3.0%	4.4%
Grocery Stores Liquor	146.5	8.3%	19.1%	9.6%
Hotels-Liquor	49.1	-18.0%	3.6%	23.5%
Light Industrial/Printers	41.5	23.5%	19.1%	-5.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	24.4%	19.2%
Office Supplies/Furniture	— CONFIDENTIAL —	—	na	50.8%
Restaurants Beer And Wine	53.2	-2.3%	-7.8%	2.3%
Restaurants Liquor	85.8	-0.8%	9.1%	8.6%
Restaurants No Alcohol	90.1	9.4%	1.7%	8.1%
Service Stations	556.8	-8.9%	-8.0%	1.6%
Total All Accounts	\$2,363.5	5.0%	6.7%	8.8%
County & State Pool Allocation	346.4	-4.3%		
Gross Receipts	\$2,709.9	3.7%		<i>*In thousands</i>