

Q1 2014



El Dorado County Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2014)

El Dorado County In Brief

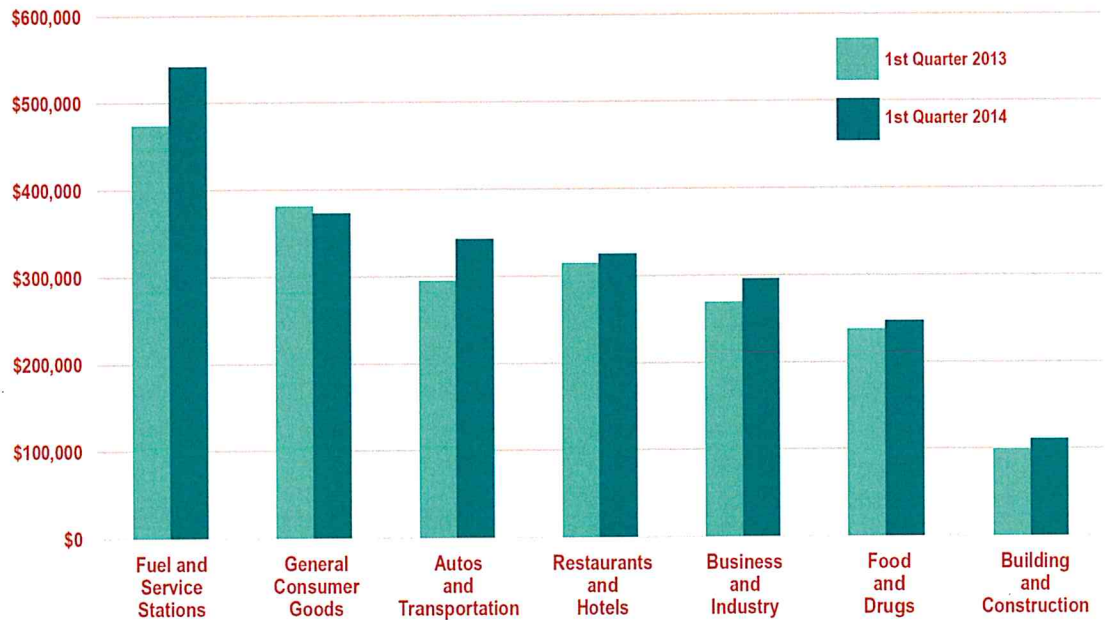
Receipts for the unincorporated area's January through March sales were 8.9% higher than the same quarter one year ago. Net of accounting anomalies actual sales increased 4.5%.

Gains from the automotive group and the larger allocation from the countywide use tax pool were major factors for the overall increase. A onetime use tax payment, combined with solid sales of garden/agricultural supplies and a recent addition to the business services sector lifted business and industry group receipts. Sales were also up from multiple categories within the building and construction group.

A new outlet contributed to the increase from specialty stores. Payment anomalies that affected one or both periods masked a 5.7% decline from the fuel and service station group and a 0.8% decline from the restaurant and hotel group. A retroactive adjustment depressed results from general consumer goods.

Adjusted for aberrations, taxable sales for all of El Dorado County rose 2.4% over the same period; Sacramento regional totals were up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Cameron Park Circle K 76	Lees Feed & Western Store
Cameron Park Petroleum	McDonalds
Circle K 76	Mercedes Benz of El Dorado Hills
Crystal View Shell	Quick Stop Market
CVS Pharmacy	Raleys
Dawson Oil	Safeway
DST Innovis	Safeway Fuel Center
El Dorado Hills Chevron	Shell
Golden State Flow Measurement	Shingle Springs Honda
Heavenly Sports Main Lodge	Shingle Springs Nissan Subaru
Heavenly Valley Cal Base Lodge	Target
K Mart	TJ Maxx
	Walmart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$8,990,370	\$9,383,715
County Pool	1,608,745	1,842,361
State Pool	4,872	6,715
Gross Receipts	\$10,603,987	\$11,232,791
Less Triple Flip*	\$(2,650,997)	\$(2,808,198)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

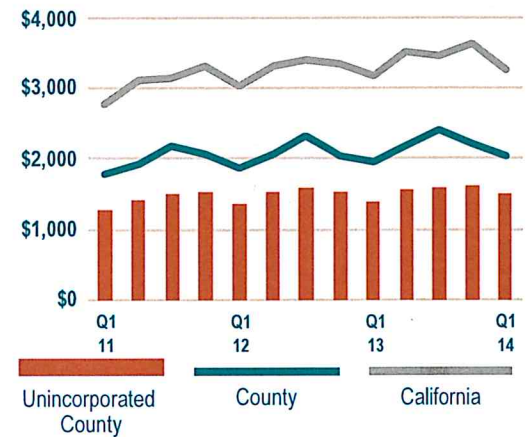
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Unincorporated County Q1 '14*	Unincorporated County Change	County Change	HdL State Change
Auto Repair Shops	41.2	3.4%	-1.0%	1.5%
Automotive Supply Stores	56.8	6.9%	8.5%	0.0%
Business Services	72.8	15.3%	13.4%	-5.1%
Casual Dining	138.8	3.4%	7.6%	6.5%
Contractors	42.2	6.3%	7.5%	14.7%
Discount Dept Stores	— CONFIDENTIAL —		-5.2%	-2.6%
Drug Stores	45.0	1.2%	-9.2%	-9.8%
Garden/Agricultural Supplies	43.1	9.4%	21.9%	4.1%
Grocery Stores Beer/Wine	42.3	10.7%	6.6%	-3.8%
Grocery Stores Liquor	136.7	2.6%	0.0%	-14.2%
Light Industrial/Printers	42.4	-1.2%	-3.6%	-1.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		16.8%	9.3%
Quick-Service Restaurants	76.8	0.5%	-1.2%	4.8%
Service Stations	505.7	14.3%	8.6%	-1.0%
Specialty Stores	47.0	36.7%	25.0%	3.3%
Total All Accounts	\$2,239.5	8.2%	4.8%	3.2%
County & State Pool Allocation	\$439.9	12.7%	9.2%	7.7%
Gross Receipts	\$2,679.4	8.9%	5.5%	3.7%