

Q2 2014



El Dorado County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

El Dorado County In Brief

Receipts for the unincorporated area's April through June sales were 8.2% higher than the same quarter one year ago. However, the recent correction of previously misallocated payments from hotels with liquor partially inflated overall results. Actual sales activity was up 5.9% when reporting aberrations were factored out.

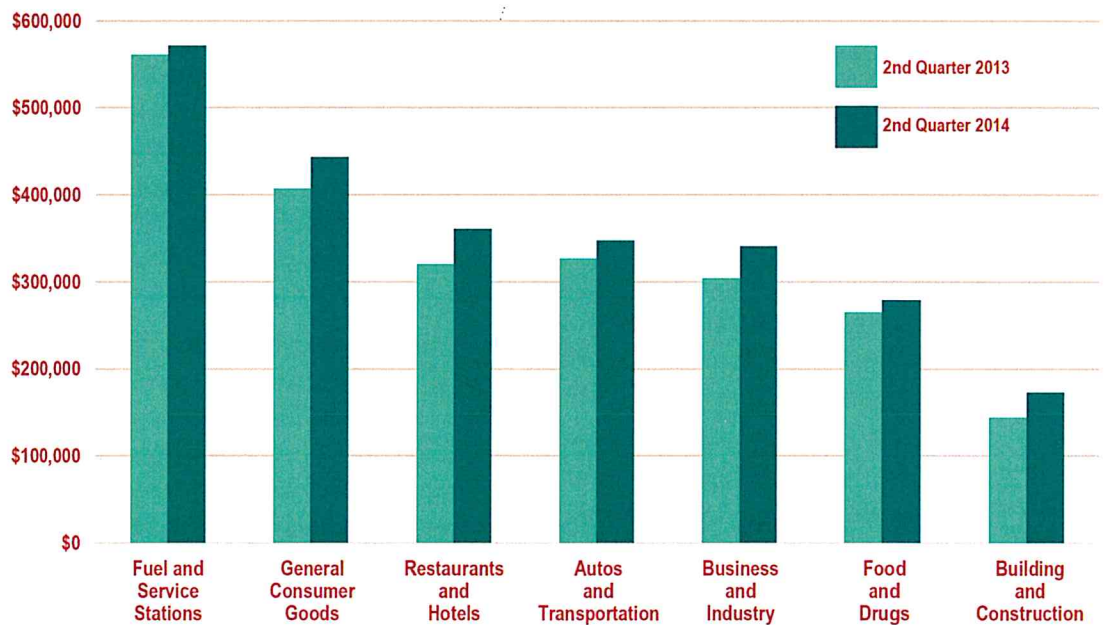
The addition of new specialty stores and contractors boosted returns from general consumer goods and building-construction groups. Autos and transportation benefitted from a solid sales quarter including auto supply stores.

Continued consumer interest in dining out, consistent with regional and statewide trends, led to strong returns from quick service and casual dining establishments.

Receipts from light industrial suppliers were temporarily exaggerated by a payment anomaly in the year-ago period, while gains from service stations were caused by higher gas prices during the quarter.

Adjusted for aberrations, taxable sales for all of El Dorado County increased 4.0% over the comparable time period, while the Sacramento region as a whole was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,328,448	\$2,515,328
County Pool	423,670	461,028
State Pool	1,713	2,023
Gross Receipts	\$2,753,830	\$2,978,379
Less Triple Flip*	\$(688,458)	\$(744,595)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state redirected 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

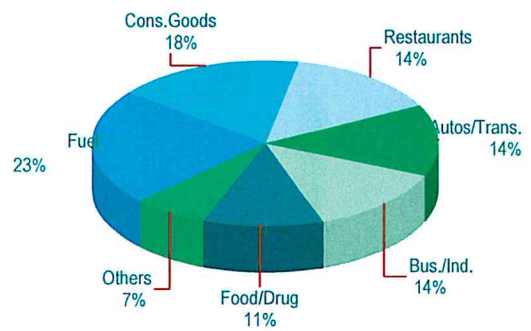
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
El Dorado County This Quarter



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q2 '14*	Change	Change	Change
Automotive Supply Stores	55.2	6.5%	0.1%	2.4%
Business Services	75.5	13.1%	14.2%	9.7%
Casual Dining	156.9	3.8%	6.9%	3.6%
Contractors	81.3	37.5%	27.7%	14.4%
Discount Dept Stores	— CONFIDENTIAL —		1.5%	2.9%
Drug Stores	51.4	5.4%	11.3%	10.0%
Garden/Agricultural Supplies	60.1	6.7%	19.4%	5.5%
Grocery Stores Beer/Wine	49.5	1.2%	2.8%	1.9%
Grocery Stores Liquor	148.4	3.7%	1.2%	5.7%
Hotels-Liquor	56.9	126.8%	-33.9%	7.3%
Light Industrial/Printers	49.7	203.2%	58.7%	3.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-0.7%	7.4%
Quick-Service Restaurants	84.9	5.8%	3.8%	6.7%
Service Stations	537.7	2.3%	2.6%	6.7%
Specialty Stores	70.0	36.7%	29.0%	7.8%
Total All Accounts	\$2,515.3	8.0%	4.5%	2.8%
County & State Pool Allocation	\$463.1	8.9%	5.3%	12.7%
Gross Receipts	\$2,978.4	8.2%	4.7%	3.9%