

Q2 2016



El Dorado County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

El Dorado County In Brief

The unincorporated area's receipts from April through June were 7.6% above the second sales period in 2015. Excluding reporting anomalies, actual sales were up 6.1%.

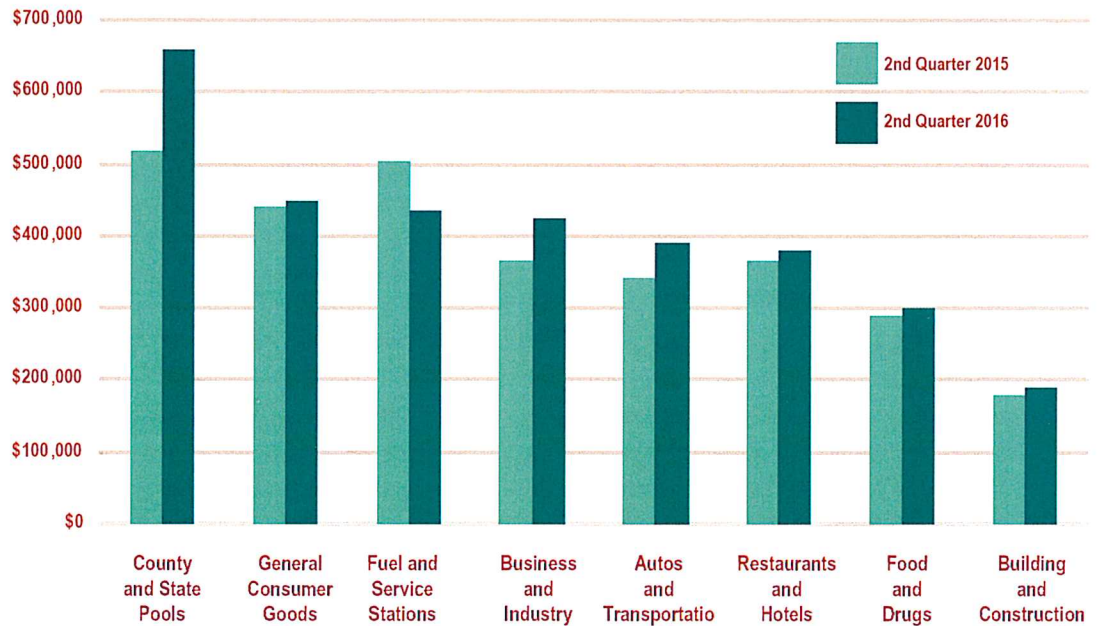
Greater capital investment lifted business service receipts while higher sales boosted the light industrial segment of the business and industry group. New car sales and leases had cars moving off the lots at a fast pace while casual dining remained popular, aided by the prior opening of a new eatery.

The countywide use tax pool's size jumped this quarter, in part because of a reporting anomaly; this boosted the county's allocation by 28%. This period also saw strong growth in building material sales. Rounding out the gains were an overall increase in sales for both the food/drug and general consumer goods.

The gains were partially offset this quarter by the continued slump in fuel prices which once again pulled down receipts from service stations and other petroleum product suppliers.

Net of anomalies, taxable sales for all of El Dorado County grew 5.2% over the comparable time period; the Sacramento region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Cameron Park Petroleum	Mercedes Benz of El Dorado Hills
Chevron	My Goods Market
Circle K 76	Quick Stop Market
CVS	Raleys
Daimler Trust	Safeway
DST Innovis	Safeway Fuel
Golden State Flow Measurement	Shell (2)
Grigsby Labels	Shingle Springs Honda
Kmart	Shingle Springs Nissan Subaru
Lees Feed & Western Store	Target
McDonalds	TJ Maxx
Meeks Building Center	Walmart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,487,288	\$2,574,577
County Pool	515,083	656,907
State Pool	2,236	986
Gross Receipts	\$3,004,607	\$3,232,470
Less Triple Flip*	\$(751,152)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

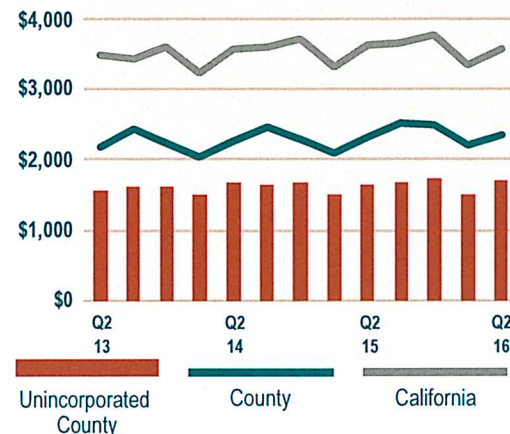
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

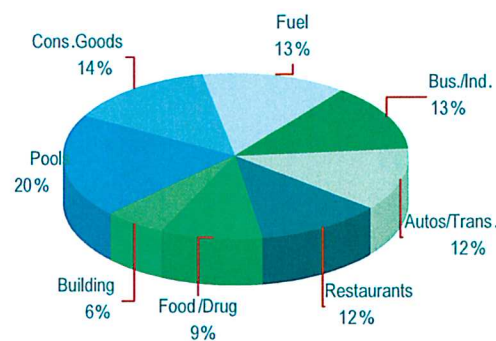
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
El Dorado Co. Uninc This Quarter



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Unincorporated County Q2 '16*	Change	County Change	HdL State Change
Auto Repair Shops	50.4	4.9%	9.3%	4.7%
Automotive Supply Stores	51.8	5.6%	5.4%	1.5%
Business Services	111.9	20.7%	22.0%	1.7%
Casual Dining	224.9	8.1%	5.9%	4.5%
Contractors	64.5	-6.4%	-3.3%	6.4%
Discount Dept Stores	— CONFIDENTIAL —		1.6%	0.7%
Garden/Agricultural Supplies	67.3	5.5%	13.5%	5.8%
Grocery Stores Beer/Wine	52.2	-1.9%	-0.6%	-0.6%
Grocery Stores Liquor	149.3	3.8%	3.9%	1.1%
Light Industrial/Printers	65.2	42.2%	-11.5%	-0.7%
New Motor Vehicle Dealers	208.2	7.4%	3.4%	2.7%
Quick-Service Restaurants	85.5	-0.4%	4.5%	6.5%
Service Stations	407.9	-14.1%	-15.3%	-19.2%
Specialty Stores	64.6	6.1%	6.3%	2.1%
Wineries	49.0	7.5%	7.5%	7.3%
Total All Accounts	2,574.6	3.5%	2.4%	-0.6%
County & State Pool Allocation	657.9	27.2%	25.8%	15.2%
Gross Receipts	3,232.5	7.6%	6.4%	1.4%