

Q2 2018



El Dorado County Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

El Dorado County In Brief

The unincorporated area's receipts from April through June were 13.1% lower than the same quarter a year ago. For the second time this year, the State's software conversion resulted in unusual processing delays. Consequently, sizeable payments remain outstanding and adversely impacted all major industry groups. Actual sales after adjusting for all anomalies would have been up 1.6%.

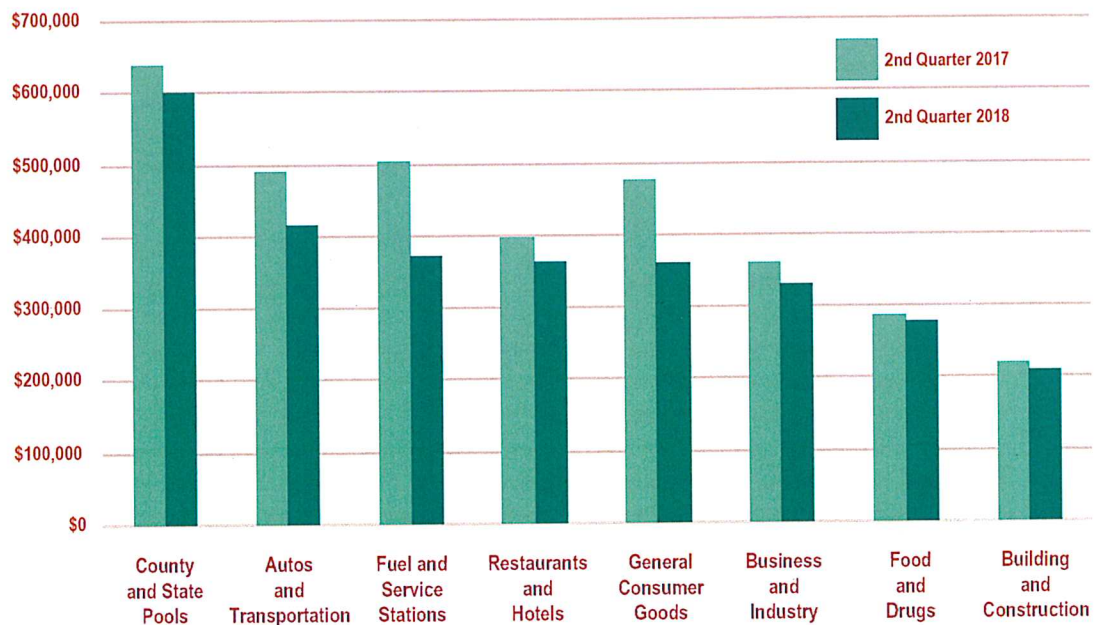
A fund transfer that inflated the comparison quarter contributed to the drop in autos and transportation. Fuel-related receipts were up 11.3% while building and construction outperformed regional trends once missing payments were restored.

The decline in general retail was exaggerated by outstanding allocations. Most sectors were up on an actual basis in the restaurant and hotel group with the exception of casual dining and hotels with liquor.

Multiple corrections and errors temporarily distorted both cash and actual results in business to business categories.

Net of aberrations, taxable sales for all of El Dorado County grew 1.0% over the comparable time period; the Sacramento region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Broadridge Output Solutions	Nugget Markets
Cameron Park 76	Pacific Coast Iron Platt
Cameron Park Arco Ampm	Quik Stop
CVS Pharmacy	Raley's
Daimler Trust	Safeway
Gold Harvest Market / Chevron	Safeway Fuel
Golden State Flow Measurement	Shingle Springs Nissan Subaru
Jon-Don	Target
Lees Feed & Western Store	TJ Maxx
Meeks Building Center	Toms Sierra Fuel
Mercedes Benz of El Dorado Hills	True Value Hardware
	Valero
	Walmart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$10,504,636	\$10,325,802
County Pool	2,466,261	2,525,077
State Pool	6,190	6,450
Gross Receipts	\$12,977,088	\$12,857,329

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

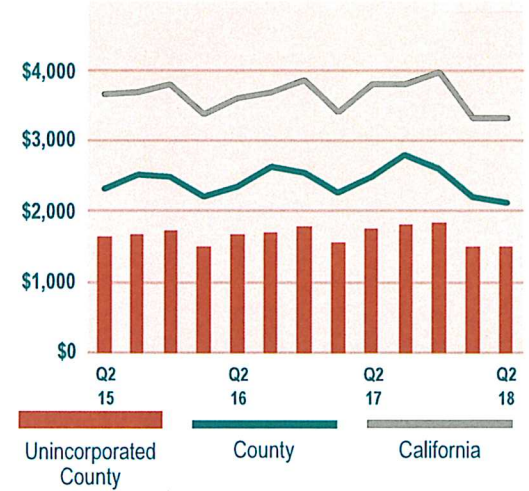
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

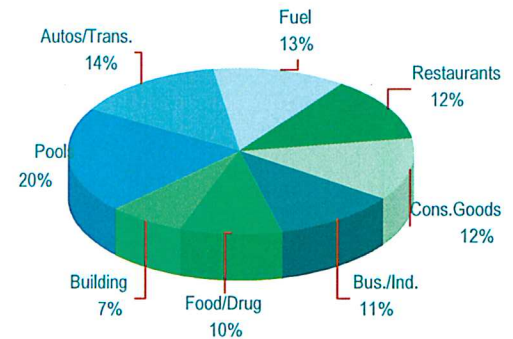
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

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 '18*	Unincorporated County Change	County Change	HdL State Change
Auto Repair Shops	51.6	-15.2%	-20.1%	-14.8%
Automotive Supply Stores	54.9	-9.0%	-5.2%	-11.6%
Building Materials	94.4	-2.2%	-28.6%	-23.2%
Business Services	94.3	-6.8%	-7.0%	-17.8%
Casual Dining	207.8	-7.1%	-9.2%	-12.6%
Contractors	64.7	-12.7%	-22.3%	-10.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-28.2%	-13.5%
Drug Stores	48.4	-1.0%	-2.4%	-4.2%
Garden/Agricultural Supplies	69.8	-5.6%	-11.3%	-15.8%
Grocery Stores	168.4	4.4%	5.4%	-7.0%
Light Industrial/Printers	54.2	3.3%	-1.1%	-26.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	2.3%	-1.9%
Quick-Service Restaurants	77.0	-8.1%	-5.9%	-5.8%
Service Stations	344.6	-27.4%	-24.2%	-26.4%
Specialty Stores	73.2	3.9%	-4.0%	-4.6%
Total All Accounts	2,331.6	-14.7%	-13.8%	-12.2%
County & State Pool Allocation	600.1	-6.1%	-5.1%	5.5%
Gross Receipts	2,931.7	-13.1%	-12.2%	-10.1%