

Q4 2018



El Dorado County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

El Dorado County Uninc In Brief

Receipts for the County's unincorporated area from October through December were 13.3% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 4.6%.

The wide disparity between cash receipts and economic activity stems from prior period taxes reported to the countywide pool in error for business-industry. These mistakes were corrected, and after all anomalies are removed, this group still grew by 17% thanks to hearty capital investment spending.

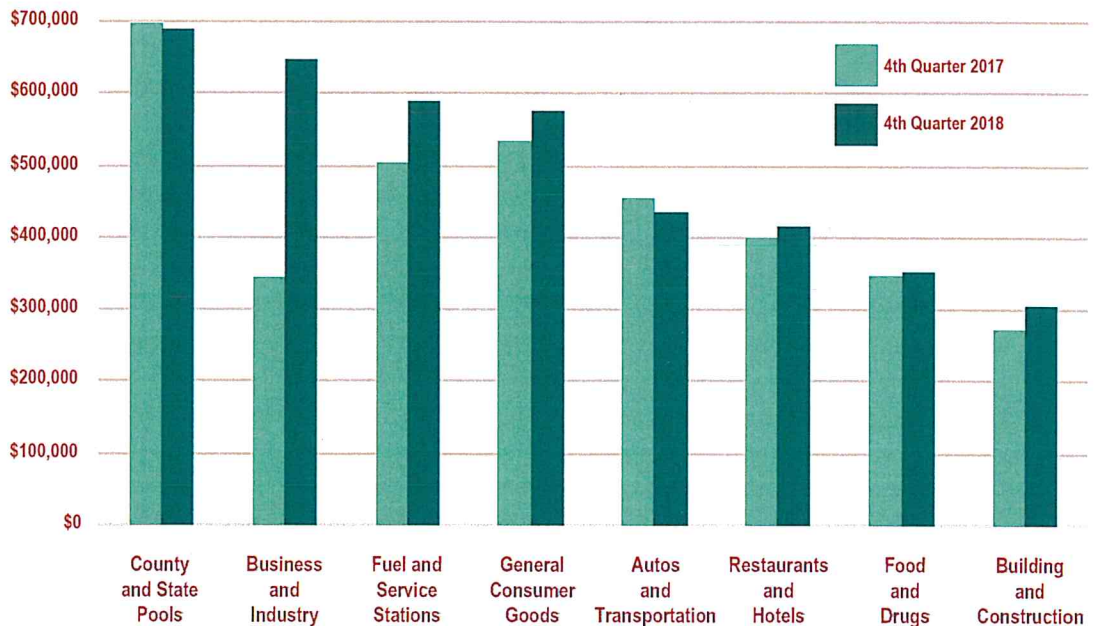
Opening of a new fueling retailer contributed to growth in the service station's tax base. While the State has made progress in resolving new computer system issues, doubled up distributions skewed light industrial printers, drug stores and sporting goods retailers.

Year-ago late filings and other account adjustments inflated contractor's activity. Restaurant categories were up and benefitted from consumers who continued to eat out.

Demand weakened over the holiday quarter for garden supplies and building materials.

Net of aberrations, taxable sales for all of El Dorado County grew 4.1% over the comparable time period; the Sacramento region was up 7.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Broadridge Output Solutions	Mercedes Benz of El Dorado Hills
Cameron Park 76	My Goods Market
Cameron Park Arco AMPM	Quik Stop
Chevron	Raley's
CVS Pharmacy	Safeway
Golden State Flow Measurement	Safeway Fuel
Green Valley Arco	Shell
Heavenly Sports Main Lodge	Shell
Jon-Don	Shingle Springs Honda
Lees Feed & Western Store	Shingle Springs Nissan Subaru
Meeks Building Center	Target
	TJ Maxx
	Walgreens
	Walmart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$5,654,101	\$6,885,978
County Pool	1,317,140	1,505,954
State Pool	3,252	3,683
Gross Receipts	\$6,974,493	\$8,395,615

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from solid sales of contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six-county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which was the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online retailers, driven by rapidly changing consumer buying habits, was part of the reason for weak results from brick-and-mortar stores. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

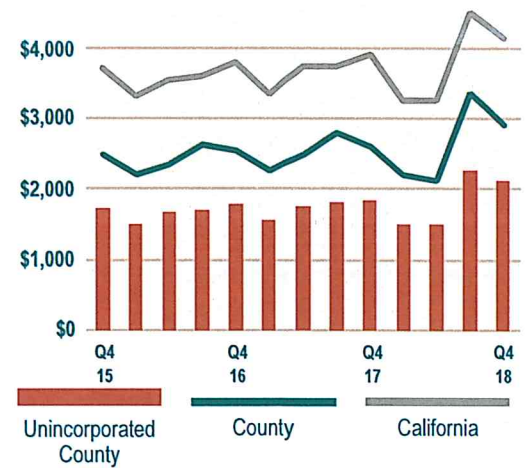
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide

more intimate shopping experiences.

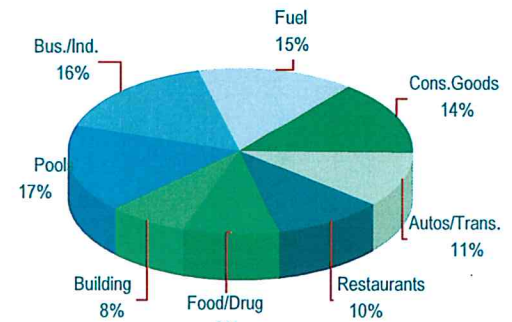
With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers." With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

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 Q4 '18*	Change	County Change	HdL State Change
Auto Repair Shops	64.9	8.8%	8.1%	4.2%
Building Materials	103.2	-1.6%	5.5%	5.5%
Business Services	— CONFIDENTIAL —	—	617.6%	8.1%
Casual Dining	246.3	7.0%	6.2%	2.4%
Contractors	145.8	53.1%	38.0%	17.5%
Discount Dept Stores	— CONFIDENTIAL —	—	-3.3%	3.9%
Drug Stores	62.8	21.1%	12.1%	21.9%
Garden/Agricultural Supplies	60.9	-5.8%	-11.9%	-2.6%
Grocery Stores	204.7	0.1%	8.0%	-11.7%
Light Industrial/Printers	78.9	54.4%	52.9%	9.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	4.1%	5.8%
Quick-Service Restaurants	96.4	1.8%	7.4%	6.6%
Service Stations	543.0	17.0%	17.6%	28.5%
Specialty Stores	80.7	18.4%	19.6%	-10.7%
Sporting Goods/Bike Stores	64.9	127.2%	80.6%	-2.3%
Total All Accounts	3,333.9	16.8%	13.4%	7.0%
County & State Pool Allocation	688.2	-1.1%	-4.0%	8.6%
Gross Receipts	4,022.1	13.3%	10.0%	7.2%