

Q1 2011



El Dorado County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2011)

El Dorado County In Brief

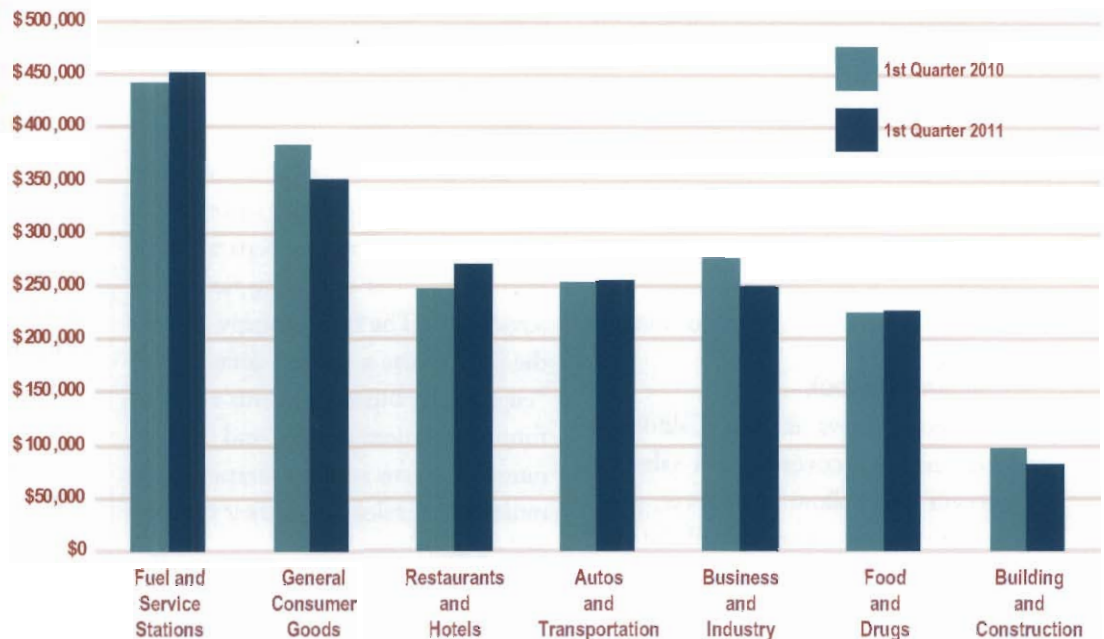
Receipts for the unincorporated area's January through March sales were 1.8% less than the same quarter of 2010. Actual sales were up 2.6% after accounting anomalies were excluded.

Payment deviations that affected one or both quarters depressed comparisons for service stations, some categories within the building & construction group, restaurants-beer & wine and exaggerated the impact of the closeout of an outlet on sporting goods/bike shops. Sales declined from business services and some categories of general consumer goods and the food & drugs group.

Sales increased from hotels-liquor and several categories within the automotive group. Recent additions helped proceeds from restaurants-liquor and those with no alcohol, but an accounting adjustment was a major factor for gains from the latter.

Adjusted for reporting aberrations, sales and use tax receipts for all of El Dorado County including its cities increased 4.1% over the same time period. The Sacramento region, as a whole, was up 6.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Cameron Park Circle K 76	K Mart
Cameron Park Petroleum	Lees Feed & Western Store
Chevron - Gasoline Sales	McDonalds
CVS Pharmacy	Mercedes Benz of El Dorado Hills
Dawson Oil	Safeway
DST Innovis	Safeway Gasoline
El Dorado Hills Chevron	Shingle Springs Honda
El Dorado Hills Valero	Shingle Springs Nissan Subaru
Frontier Dental Labs	Sierra at Tahoe
Golden State Flow Measurement	TJ Maxx
Heavenly Ski Resort	Target
Heavenly Sports Main Lodge	Tooley Oil
	Wal Mart

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$7,960,594	\$8,291,919
County Pool	1,329,834	1,280,687
State Pool	7,346	3,899
Gross Receipts	\$9,297,774	\$9,576,505
Less Triple Flip*	\$(2,324,444)	\$(2,394,126)

*Reimbursed from county compensation fund

Statewide Sales on the Rise

Adjusted for accounting aberrations, California's local sales and use tax revenues from transactions during the first quarter of 2011 were 9.2% higher than the previous year's comparable quarter. This represents the fifth consecutive quarter of recovery and the largest percentage gain since the second quarter of 2005. Total annual revenues however, are still 14.8 % below 2006-2007.

Most regions of the state shared in the increase with the largest contributor coming from a dramatic surge in fuel prices. Allocations from new car sales also were a factor with a statewide gain of 19.8% over the first quarter of 2010. Revenues from full service restaurants and consumer electronics exhibited increases of 10% or more.

California Outlook

The good news is that California's economy is recovering and sales tax growth will follow. However, gains in the next two quarters will be held back by temporary supply chain disruptions caused by the earthquake and tsunami in Japan and by reduced consumer spending as rising gas prices cut into disposable incomes. New uncertainties from further declines in home values and additional government layoffs may also soften consumer spending and business investment for the first half of the fiscal year.

Sales tax growth is expected to pick up in the second half although sluggish improvement in employment and lackluster construction spending will continue to affect the economies of the state's inland regions.

Internet Taxation

Under federal case law, states cannot require businesses without a physical presence in their state to collect sales tax. Companies such as Amazon have built their business plans around avoiding collecting the tax thereby put-

ting local brick and mortar stores at a competitive disadvantage.

This year, California has attempted to partially correct the inequity through the passage of ABX 1 28 which combines the differing strategies of three previous bills with each designed to be severable in the event of a successful court challenge.

The first follows the lead of New York State by declaring that internet sales through a host of in-state affiliates constitutes "substantial nexus" and therefore makes sales through those affiliates subject to sales tax. ABX 1 28 also prevents companies with in-state brick and mortar stores from treating those stores as separate legal entities to avoid collecting tax on internet sales. The third strategy permits the state to use a revised definition of "engaged in business in this state" if future court decisions expand the definition of nexus so that internet sellers must collect sales tax in their customers' jurisdictions.

ABX 1 28 is expected to increase

statewide tax collections by \$317 million annually, with local governments splitting about \$39 million or roughly \$1.00 per capita. Revenues from these out of state sales would be distributed primarily though the countywide use tax allocation pools.

Staying Alive (shrinking retailers)

Agencies in smaller market areas may have fresh opportunities for new retail with big box stores now planning on smaller facilities. Reducing floor area is seen as another method of cost containment as consumer thriftiness keeps pressure on corporate profit margins. JC Penney, Petsmart, TJ Maxx and Staples have announced plans to build stores up to 40% smaller than their existing locations while Best Buy is planning to sublease part of the space in their existing stores and retail giant Wal-Mart is experimenting with stores as small as 14,000 square feet to recapture lost market share from dollar stores.

EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q1 '11*	Change	Change	Change
Auto Repair Shops	37.0	1.4%	-3.8%	4.8%
Automotive Supply Stores	40.6	4.1%	4.7%	5.9%
Business Services	53.0	-24.9%	-22.4%	-10.8%
Contractors	39.4	-10.4%	-9.7%	2.3%
Discount Dept Stores	— CONFIDENTIAL —		-3.9%	2.1%
Drug Stores	39.8	-1.9%	-1.5%	3.3%
Grocery Stores Beer/Wine	45.2	3.9%	-1.6%	2.8%
Grocery Stores Liquor	123.7	-1.0%	2.1%	-12.5%
Hotels-Liquor	39.9	34.5%	19.2%	10.0%
New Motor Vehicle Dealers	143.9	2.9%	11.8%	19.7%
Restaurants Beer And Wine	48.6	-18.0%	-8.7%	-3.7%
Restaurants Liquor	74.8	5.5%	-7.1%	8.5%
Restaurants No Alcohol	83.4	28.8%	9.7%	8.6%
Service Stations	413.0	2.4%	7.0%	19.8%
Sporting Goods/Bike Stores	38.6	-26.3%	-14.1%	3.6%
Total All Accounts	\$1,892.4	-1.9%	0.8%	7.5%
County & State Pool Allocation	295.4	-1.0%		
Gross Receipts	\$2,187.7	-1.8%		<i>*In thousands</i>