

Q4 2011



El Dorado County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

El Dorado County In Brief

Receipts for the El Dorado County unincorporated area's October through December sales were 4.6% higher than the same quarter one year ago.

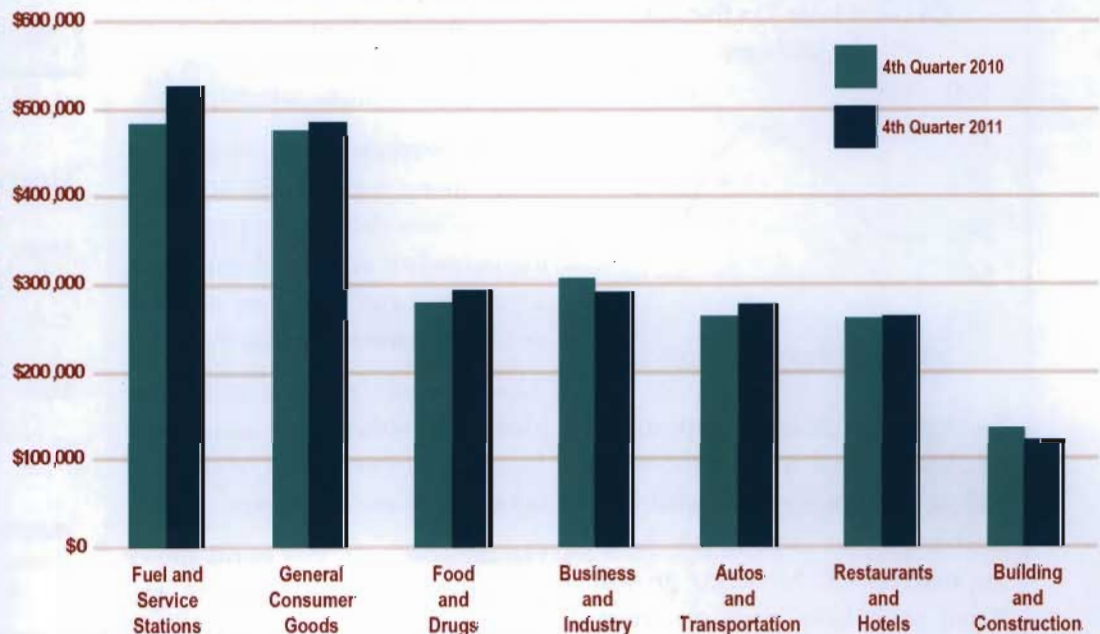
Sales increased from garden/ agricultural supplies, quick service eateries and several categories of consumer goods. Recently opened outlets contributed to gains from drug stores. Accounting anomalies that affected one or both quarters overstated results from some classifications within the auto sector but masked losses from sales of contractor supplies.

The receipt of a double-up payment in the year-ago quarter combined with a reporting problem in the current period skewed service station results. The allocation of the countywide use tax pool was also a factor for the overall increase.

Sales declined from light industrial/ printers, business services, grocery-beer/wine and some classifications of general consumer goods. Accounting events that boosted last year's receipts depressed comparisons for restaurants-beer & wine and the building & construction group as a whole.

Adjusted for reporting aberrations, taxable sales for all of El Dorado County, including its cities, rose 5.8% over the same period of time; Sacramento regional totals were up 8.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Cameron Park Petroleum	McDonalds
Chevron	Meeks Building Center
Circle K 76	Mercedes Benz of El Dorado Hills
CVS Pharmacy	Quick Stop Market
Dawson Oil	Raleys
DST Innovis	Safeway
El Dorado Hills Chevron	Safeway Gasoline
El Dorado Hills Valero	Shingle Springs Honda
Golden State Flow Measurement	Shingle Springs Nissan Subaru
Heavenly Ski Resort	Target
Kmart	TJ Maxx
Lees Feed & Western Store	Tooley Oil Company
	Walmart

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

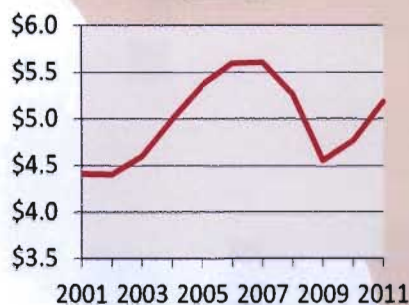
	2010-11	2011-12
Point-of-Sale	\$6,399,530	\$6,623,987
County Pool	985,817	1,093,947
State Pool	3,411	1,160
Gross Receipts	\$7,388,758	\$7,719,094
Less Triple Flip*	\$(1,847,189)	\$(1,929,774)

*Reimbursed from county compensation fund

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

CA Local Sales Tax Receipts in \$Billions



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

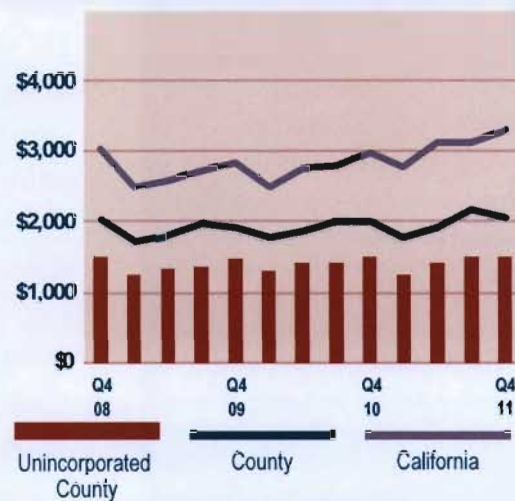
To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too

small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

SALES PER CAPITA



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q4 '11*	Change	Change	Change
Automotive Supply Stores	48.4	15.7%	-1.7%	4.1%
Business Services	55.7	-9.2%	-7.7%	-14.7%
Contractors	56.7	35.9%	28.4%	18.2%
Discount Dept Stores	— CONFIDENTIAL —		-0.5%	4.1%
Drug Stores	55.1	20.8%	14.6%	8.0%
Garden/Agricultural Supplies	41.5	10.3%	8.1%	9.5%
Grocery Stores Beer/Wine	43.3	-9.8%	-5.7%	3.8%
Grocery Stores Liquor	172.8	4.1%	1.7%	-1.2%
Light Industrial/Printers	44.5	-14.9%	-10.0%	11.5%
New Motor Vehicle Dealers	158.5	2.2%	7.0%	15.5%
Restaurants Beer And Wine	50.8	-12.4%	-4.6%	-0.3%
Restaurants Liquor	80.9	3.4%	6.0%	9.9%
Restaurants No Alcohol	89.1	10.3%	7.9%	7.2%
Service Stations	487.1	8.3%	11.1%	14.8%
Specialty Stores	50.9	28.1%	20.4%	0.8%
Total All Accounts	\$2,258.6	2.3%	3.0%	7.8%
County & State Pool Allocation	396.2	20.2%		
Gross Receipts	\$2,654.8	4.6%		<i>*In thousands</i>