

Q1 2012



Town of Windsor Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2012)

Windsor In Brief

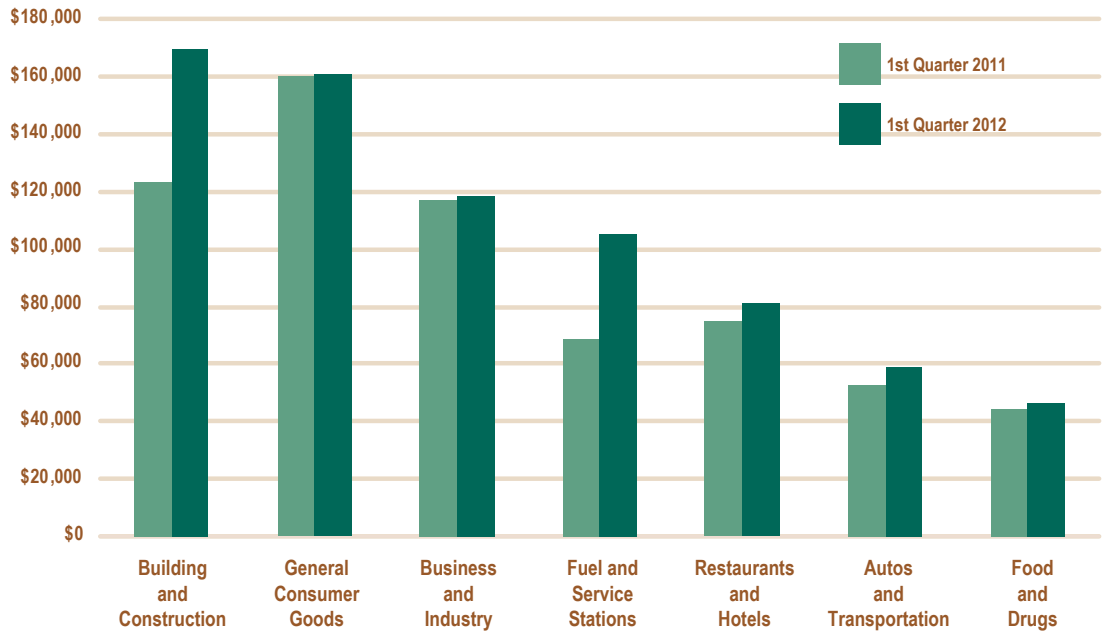
Receipts from first quarter sales were 13.7% above the comparable period one year earlier but reporting aberrations skewed the data. With anomalies excluded, actual sales were up 3.1%.

The sharp disparity between cash receipts and local sales activities was due to onetime payment aberrations that inflated building and construction and fuel and service station results. Net of the temporary adjustments the building and construction group showed a moderate decline. Fuel and service station results were positive and ahead of countywide trends.

Other industry groups, including autos and transportation, food and drugs and restaurants and hotels reported solid increases though retroactive payment adjustments temporarily reduced restaurant and hotels gains. Business and industry and general consumer goods totals were little-changed.

With onetime accounting adjustments removed, all of Sonoma County was up 6.1%; statewide sales grew 8.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

American Tartaric Products	Office Depot
Applebees	Panda Express
Associated Winery System	Pick N Pull Auto Dismantlers
Charter Sales	Raleys
CVS Pharmacy	Safeway
DCD Motorsports	Shear Builders
Dumol Winery	Standard Structures
Home Depot	Tractor Supply
Johnny Garlic	Vineyard Industry Products
Les Schwab Tire Center	Walmart
Marys Pizza Shack	Windsor Chevron
McDonalds	Windsor Shell
Mount Storm Forest Products	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$2,767,780	\$3,070,105
County Pool	276,855	298,911
State Pool	1,237	1,171
Gross Receipts	\$3,045,872	\$3,370,187
Less Triple Flip*	\$(761,468)	\$(842,547)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

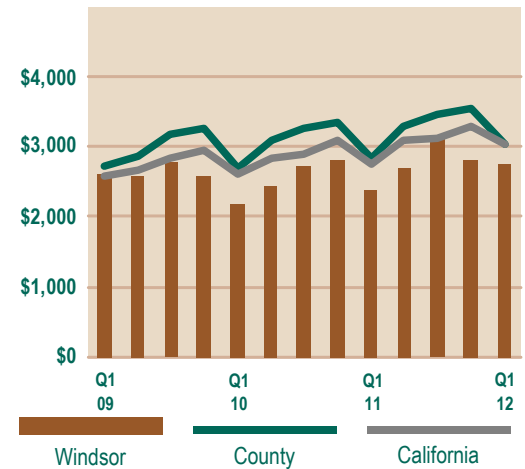
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

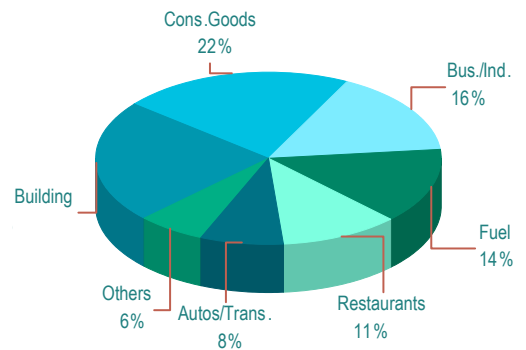
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Windsor This Quarter



WINDSOR TOP 15 BUSINESS TYPES

Business Type	Windsor		County	HdL State
	Q1 '12	Change	Change	Change
Automotive Supply Stores	16,143	5.4%	6.2%	9.3%
Contractors	32,151	23.4%	-3.0%	22.6%
Discount Dept Stores	— CONFIDENTIAL —		3.5%	5.6%
Food Mfg.	57,796	60.5%	52.1%	20.6%
Garden/Agricultural Supplies	10,374	35.2%	13.3%	8.8%
Grocery Stores Liquor	35,174	6.2%	3.3%	5.5%
Light Industrial/Printers	11,642	-33.5%	-6.7%	0.1%
Lumber/Building Materials	134,069	42.7%	7.8%	8.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		8.9%	14.5%
Office Supplies/Furniture	14,157	0.5%	-6.0%	6.0%
Restaurants Beer And Wine	21,161	-4.7%	-1.4%	4.1%
Restaurants Liquor	29,125	21.5%	18.4%	13.0%
Restaurants No Alcohol	29,048	8.2%	10.7%	9.5%
Service Stations	104,978	53.0%	16.4%	13.3%
Wineries	15,159	-34.0%	7.2%	16.1%
Total All Accounts	\$739,978	15.6%	7.5%	9.9%
County & State Pool Allocation	68,497	-3.4%		
Gross Receipts	\$808,474	13.7%		