

Q1 2017



City of Red Bluff Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Red Bluff In Brief

Red Bluff's receipts from January through March were 0.6% above the first sales period in 2016. Excluding reporting anomalies, actual sales were down 2.3%.

The results this quarter were largely anticipated as they were negatively skewed by two large tax recoveries for the autos and transportation group from the prior year. A decline in retail sales for that group further depressed receipts.

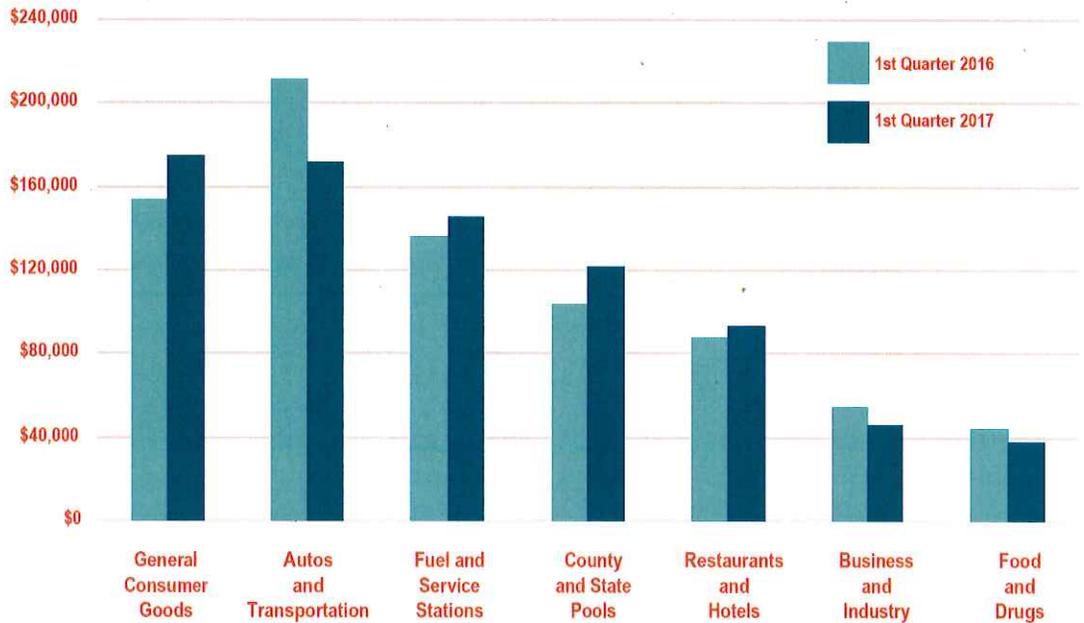
An overall decline in retail sales, compounded by a store closure, lowered business/industry receipts while grocery store activity declined for the food/drug group.

The bright spots this quarter were higher fuel prices, rising general consumer good sales, increased construction activity and the continued gains from restaurant receipts. The City's allocation from the countywide use tax pool was up over \$16,000 this period.

Results for Measure D were more impressive as the local tax grew by 5.4% by generating a total of \$227,669. Sales of new and used cars, rising gas prices and a one-time allocation from the statewide pool created the largest gains.

Net of anomalies, taxable sales for all of Tehama County declined 4.5% over the comparable time period; the Far North region was up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	More for Less Gas
Adobe Minimart	North Valley Distributing
Arco AM PM	One Stop Gas
CVS Pharmacy	Raleys
Dollar General	Red Bluff Chrysler Dodge Jeep Ram
Food Maxx	Red Bluff Food Mart
Growney Motors Buick/GMC	Red Bluff Shell
Home Depot	Taco Bell
Jack in the Box	Tractor Supply
Les Schwab Tire Center	USA Gas
Main Street Auto Sales	Valero
Main Street Chevron	Walmart Supercenter
McDonald's	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,370,632	\$2,450,483
County Pool	330,141	353,956
State Pool	1,462	2,245
Gross Receipts	\$2,702,235	\$2,806,684
Cty/Cnty Share	(270,223)	(280,668)
Net Receipts	\$2,432,011	\$2,526,016
Less Triple Flip*	\$(413,183)	\$0
Measure D	\$715,969	\$697,298

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

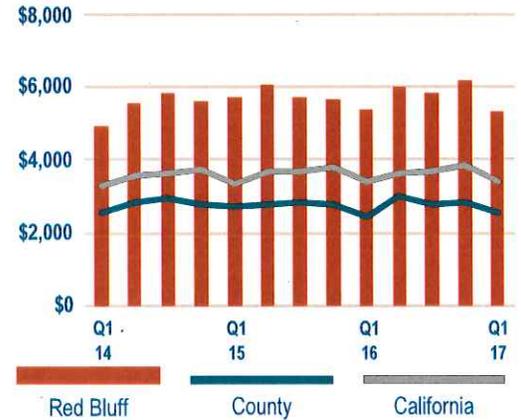
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

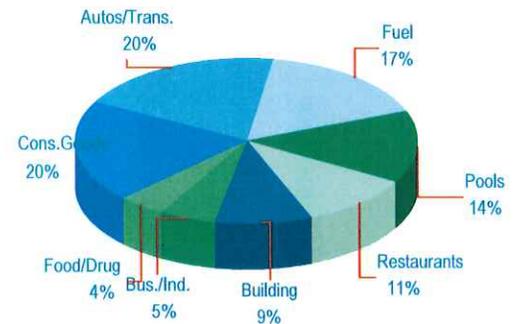
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Red Bluff This Quarter



RED BLUFF TOP 15 BUSINESS TYPES

Business Type	Red Bluff		County	HdL State
	Q1 '17	Change	Change	Change
Auto Repair Shops	10,424	-9.6%	-6.5%	5.2%
Automotive Supply Stores	24,257	-3.4%	-0.4%	0.0%
Building Materials	— CONFIDENTIAL —	—	5.7%	3.2%
Casual Dining	47,159	7.0%	9.4%	0.3%
Discount Dept Stores	— CONFIDENTIAL —	—	24.5%	1.6%
Drug Stores	9,055	-17.0%	-12.8%	-2.5%
Electronics/Appliance Stores	16,431	17.2%	15.0%	-0.2%
Garden/Agricultural Supplies	23,021	-2.7%	-6.0%	-1.3%
Grocery Stores	25,001	-19.2%	-13.3%	0.5%
Home Furnishings	10,281	5.7%	1.3%	-1.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	14.0%	4.4%
Quick-Service Restaurants	40,297	0.8%	1.3%	4.6%
Repair Shop/Equip. Rentals	9,401	32.5%	-21.3%	-6.0%
Service Stations	140,394	6.4%	6.0%	9.9%
Variety Stores	— CONFIDENTIAL —	—	9.2%	4.9%
Total All Accounts	749,216	-1.7%	2.7%	1.8%
County & State Pool Allocation	121,996	17.3%	22.6%	2.9%
Gross Receipts	871,212	0.6%	5.1%	1.9%
City/County Share	(87,121)	-0.6%		
Net Receipts	784,091	0.6%		