

Q1 2020



City of Red Bluff Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Red Bluff In Brief

Red Bluff's receipts from January through March were 8.6% below the first sales period in 2019; much of this decline was caused by some companies were permitted an extra 90-days to file tax returns under the Governor's recent Executive Order. Excluding reporting aberrations, actual sales were down 0.3%.

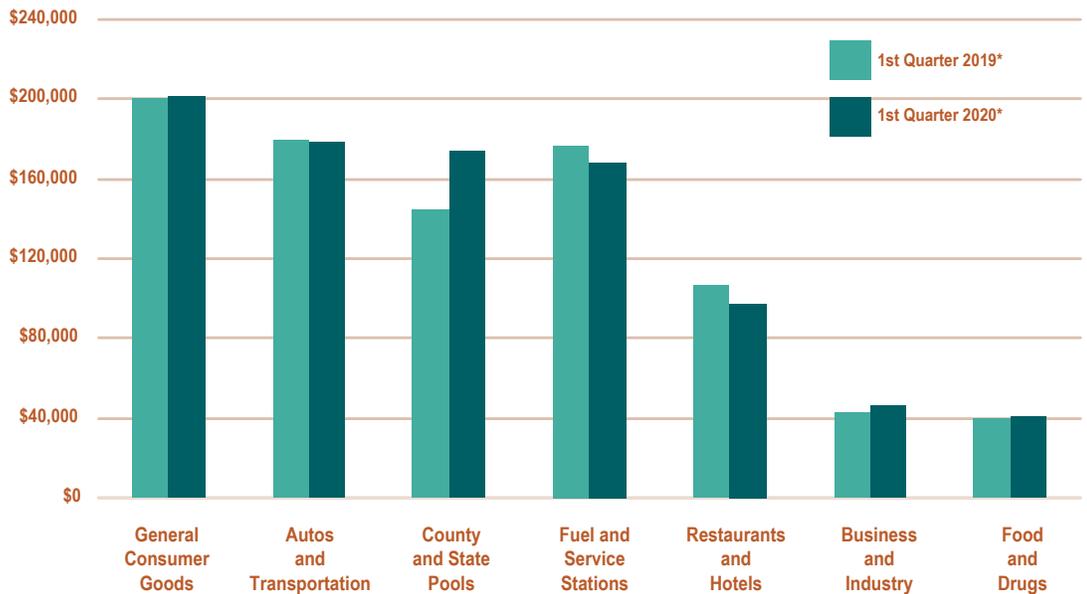
County officials declared a shelter-in-place in mid-March; numerous businesses temporarily closed and consequences were significant. The restrictions placed on restaurants/hotels were a major factor in the decrease. Reduced travelers and lower prices at the pumps contributed to the 4.4% drop in fuel/service stations.

Grocery stores posted gains and the City's allocation from the county-wide pool grew 20.4%; the growth in the pool can be attributed to new revenue from the Wayfair decision and increase in online shopping.

Measure A generated \$287,242, up 4%, boosted by one-time purchases and new revenue from the Wayfair decision.

Net of aberrations, taxable sales for all of Tehama County declined 1.2% over the comparable time period; the Far North region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Adobe Minimart	North Valley
Arco AM PM	Mattress & Oak Outlet
Arco AM PM	One Stop Gas & Food
Cardan Aircraft Painting	PJ Helicopters
Dollar General	Raley's
Flyers	Red Bluff Chrysler Dodge Jeep Ram
Food Maxx	Red Bluff Gas
Growney Motors	Red Bluff Shell
Harbor Freight Tools	Ross
Home Depot	Tractor Supply
Les Schwab Tire Center	Valero
Marshalls	Walmart
McDonald's	Supercenter
More for Less Gas	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$2,912,198	\$2,688,433
County Pool	456,220	539,448
State Pool	1,535	1,553
Gross Receipts	\$3,369,954	\$3,229,434
Cty/Cnty Share	(336,995)	(322,943)
Net Receipts	\$3,032,958	\$2,906,490
Measure A	\$900,463	\$913,404

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

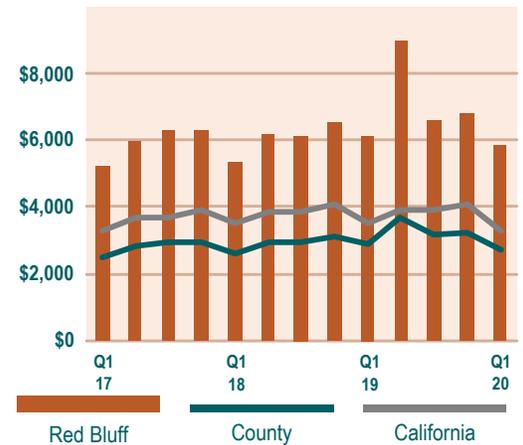
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

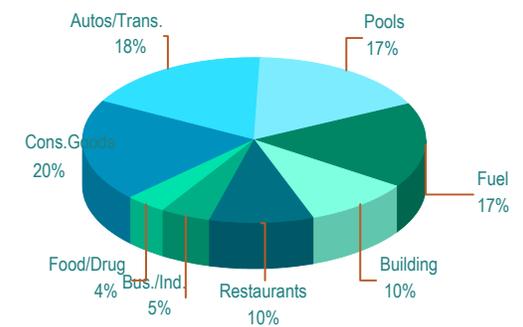
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Red Bluff This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

RED BLUFF TOP 15 BUSINESS TYPES**

Business Type	Red Bluff		County	HdL State
	Q1 '20	Change	Change	Change
Aircraft Sales & Service	— CONFIDENTIAL —		na	-10.5%
Automotive Supply Stores	30,180	-0.2%	-2.6%	-9.5%
Building Materials	— CONFIDENTIAL —		-3.1%	3.0%
Casual Dining	46,264	-13.8%	-16.9%	-18.8%
Discount Dept Stores	— CONFIDENTIAL —		-5.7%	3.2%
Drug Stores	— CONFIDENTIAL —		-1.6%	3.4%
Electronics/Appliance Stores	11,232	-26.3%	-23.1%	-18.0%
Family Apparel	22,231	93.3%	-14.2%	-21.1%
Garden/Agricultural Supplies	27,576	2.4%	13.6%	12.0%
Grocery Stores	28,015	10.9%	14.6%	11.8%
Home Furnishings	14,271	0.4%	-0.8%	-13.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-19.5%	-10.6%
Quick-Service Restaurants	45,111	-2.6%	-4.1%	-8.5%
Service Stations	162,436	-3.7%	-8.4%	-9.5%
Variety Stores	— CONFIDENTIAL —		10.8%	0.9%
Total All Accounts	835,936	-3.7%	-5.8%	-7.3%
County & State Pool Allocation	174,109	20.4%	26.4%	22.4%
Gross Receipts	1,010,045	-0.3%	-1.2%	-3.0%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.