

Q2 2014



City of Red Bluff Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Red Bluff In Brief

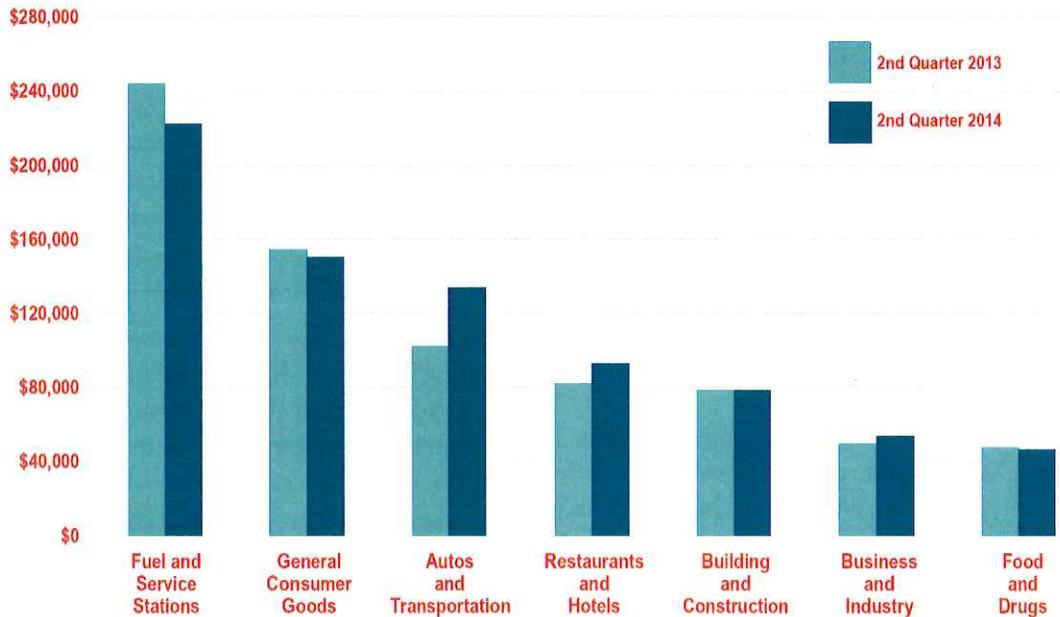
Receipts for Red Bluff's April through June sales were 2.9% higher than the same quarter one year ago but reporting aberrations skewed the data. With anomalies removed, actual sales were up 3.8%.

A strong sales quarter and positive payment adjustments buoyed autos and transportation returns. Current quarter receipt of previous misallocation errors boosted restaurant results.

The gains were partially offset by lower fuel consumption which, despite higher pump prices, depressed overall fuel and service station receipts. A business closure and declining sales activity negatively impacted general consumer goods revenues.

Adjusted for aberrations, taxable sales for all of Tehama County decreased 3.3% over the comparable time period, while the Far North region as a whole was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	More for Less Gas
Adobe Minimart	One Stop Gas & Food
Antelope Valero	PJ Helicopter
Arco AM PM	Raleys Supermarket
Creator Enterprise	Red Bluff AM PM
Exxon Food Mart	Red Bluff Chrysler Dodge Jeep Ram
Food Maxx	Red Bluff Shell
Gronney Motors Buick/GMC	Riverside Landscape & Masonry Sup
Home Depot	Taco Bell
Les Schwab Tire Center	Tesoro West Coast
Liquor & Food	Tractor Supply Company
Main Street Chevron	Walmart
McDonalds	

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$2,876,399	\$3,003,748
County Pool	285,715	329,158
State Pool	1,187	2,039
Gross Receipts	\$3,163,301	\$3,334,945
Cty/Cnty Share	(316,330)	(333,495)
Net Receipts	\$2,846,971	\$3,001,451
Less Triple Flip*	\$(711,743)	\$(750,363)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

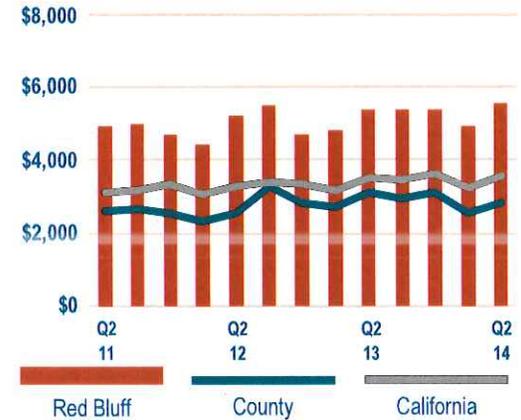
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

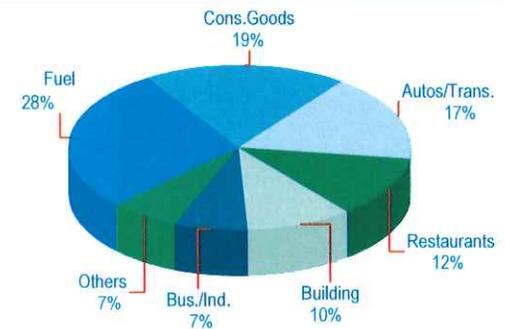
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Red Bluff This Quarter



RED BLUFF TOP 15 BUSINESS TYPES

Business Type	Red Bluff		County	HdL State
	Q2 '14	Change	Change	Change
Auto Repair Shops	10,980	-3.5%	-3.0%	4.0%
Automotive Supply Stores	24,153	-2.8%	-3.5%	2.4%
Casual Dining	39,676	-5.0%	-2.0%	3.1%
Discount Dept Stores	— CONFIDENTIAL —		0.8%	2.9%
Drug Stores	10,127	-0.4%	12.6%	10.0%
Electronics/Appliance Stores	10,481	-29.0%	-25.2%	-0.9%
Garden/Agricultural Supplies	29,118	11.9%	18.5%	5.3%
Grocery Stores Liquor	— CONFIDENTIAL —		-3.9%	5.7%
Home Furnishings	8,811	5.7%	7.0%	6.9%
Lumber/Building Materials	— CONFIDENTIAL —		3.5%	8.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —		22.5%	7.4%
Quick-Service Restaurants	50,953	34.1%	23.6%	6.7%
Service Stations	216,318	-9.7%	-18.0%	6.7%
Used Automotive Dealers	9,123	18.2%	23.6%	9.6%
Variety Stores	— CONFIDENTIAL —		-6.7%	8.6%
Total All Accounts	\$785,121	3.5%	-9.2%	2.8%
County & State Pool Allocation	\$82,803	-2.9%	-14.9%	12.7%
Gross Receipts	\$867,924	2.9%	-9.8%	3.9%
City/County Share	(86,792)	-2.9%		
Net Receipts	\$781,132	2.9%		