

Q2 2018



City of Red Bluff Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Red Bluff In Brief

Red Bluff's receipts from April through June were 23.8% below the second sales period in 2017. Excluding reporting aberrations, actual sales were down 0.2%.

For the second consecutive quarter, challenges with the State's new software system have resulted in delayed funding and partial funding of local tax payments for thousands of taxpayer accounts.

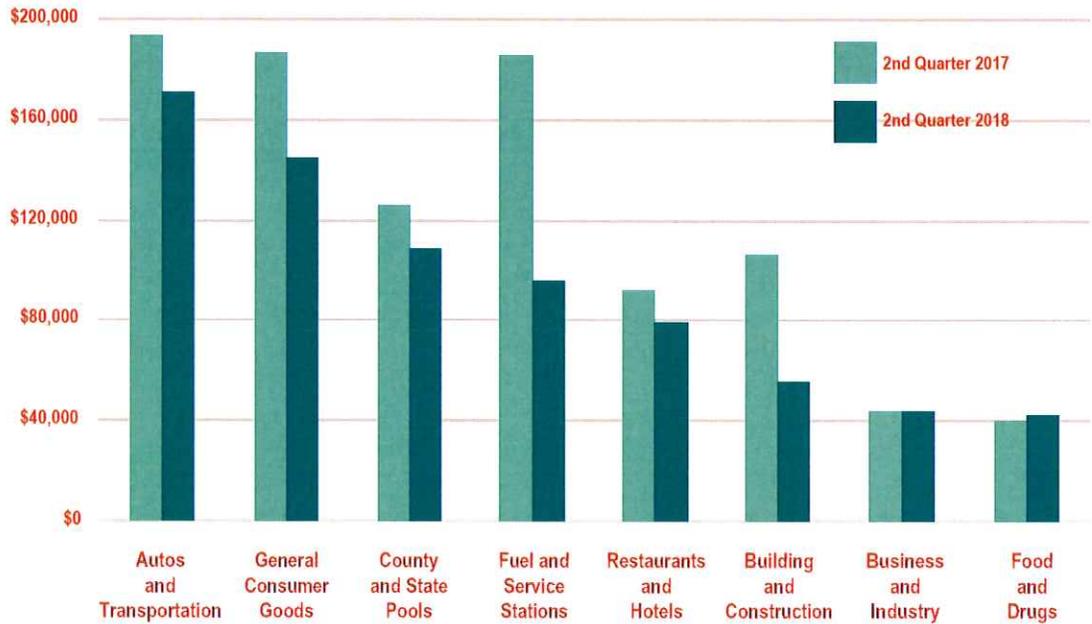
Although fuel prices continued to rise in the second quarter, delayed payments significantly impacted overall totals. A partial second quarter payment caused the drop in revenue for building materials.

A double payment was responsible for the temporary bump in revenue for food and drugs. Delayed payments skewed results for general consumer good and restaurants and hotels.

The City's share of the countywide use tax pool decreased 14.3% when compared to the same period in the prior year. The City's transaction tax, Measure D, generated an additional \$198,846 in revenue.

Net of aberrations, taxable sales for all of Tehama County grew 2.0% over the comparable time period; the Far North region was down 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Adobe Minimart	O'Reilly Auto Parts
Arco AM PM	Raley's
Circle 7 Days	Red Bluff Chrysler Dodge Jeep Ram
Circle K	Red Bluff Shell
CVS Pharmacy	Reynolds Ranch & Farm Supply
Dollar General	Riverside Landscape & Masonry Sup
Flyers	Shell
Food Maxx	Taco Bell
Harbor Freight Tools	Tractor Supply
Home Depot	USA Gas
Jack in the Box	Walmart Supercenter
Les Schwab Tire Center	
McDonald's	
North Valley Mattress & Oak Outlet	

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$3,299,301	\$3,145,187
County Pool	480,236	474,439
State Pool	1,797	1,850
Gross Receipts	\$3,781,333	\$3,621,477
Cty/Cnty Share	(378,133)	(362,148)
Net Receipts	\$3,403,200	\$3,259,329
Measure D	\$952,124	\$938,525

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

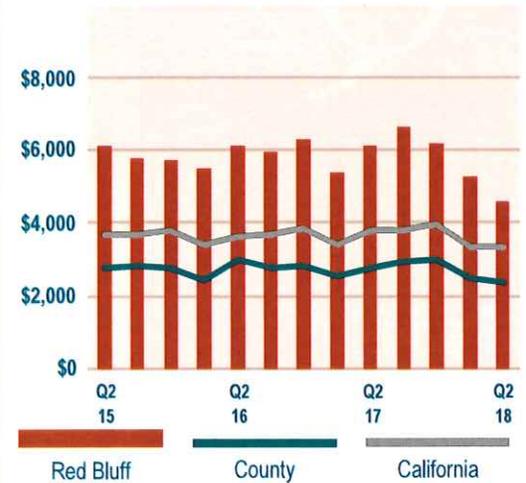
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

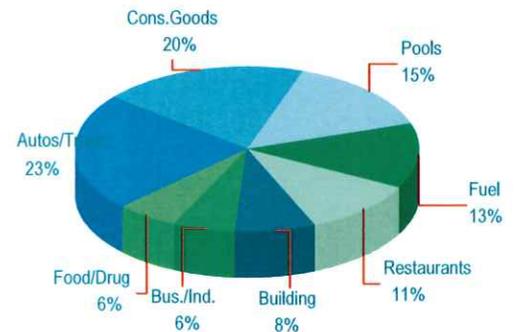
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

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 '18	Change	Change	Change
Auto Repair Shops	7,224	-31.2%	-11.1%	-14.8%
Automotive Supply Stores	20,347	-27.2%	-25.7%	-11.6%
Building Materials	— CONFIDENTIAL —	—	-31.3%	-23.2%
Casual Dining	37,868	-15.6%	-14.3%	-12.7%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	2.2%	-7.9%
Discount Dept Stores	— CONFIDENTIAL —	—	-25.3%	-13.5%
Drug Stores	— CONFIDENTIAL —	—	-3.4%	-4.2%
Electronics/Appliance Stores	5,013	-65.0%	-62.0%	-5.1%
Garden/Agricultural Supplies	28,306	-4.0%	-8.0%	-15.8%
Grocery Stores	26,179	-0.4%	-5.6%	-7.0%
Home Furnishings	9,063	-4.9%	-5.6%	-21.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	6.6%	-2.0%
Quick-Service Restaurants	37,380	-7.8%	-8.5%	-6.0%
Service Stations	92,049	-49.3%	-26.0%	-26.6%
Variety Stores	— CONFIDENTIAL —	—	11.2%	-2.9%
Total All Accounts	633,730	-25.3%	-14.0%	-12.2%
County & State Pool Allocation	108,493	-13.8%	-0.7%	5.5%
Gross Receipts	742,223	-23.8%	-12.3%	-10.1%
City/County Share	(74,222)	23.8%		
Net Receipts	668,001	-23.8%		