

Q3 2018



City of Red Bluff Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Red Bluff In Brief

Red Bluff's receipts from July through September were 22.9% above the third sales period in 2017 as the state remitted a large amount of money withheld from the prior quarter. Excluding the effects of late payments and other reporting adjustments, actual receipts were down 1.9%.

The issues resulting from the State's new tax return processing system continue to affect all agencies' tax results. However, the sharp decline in the value of payments missing from the current period is a positive sign.

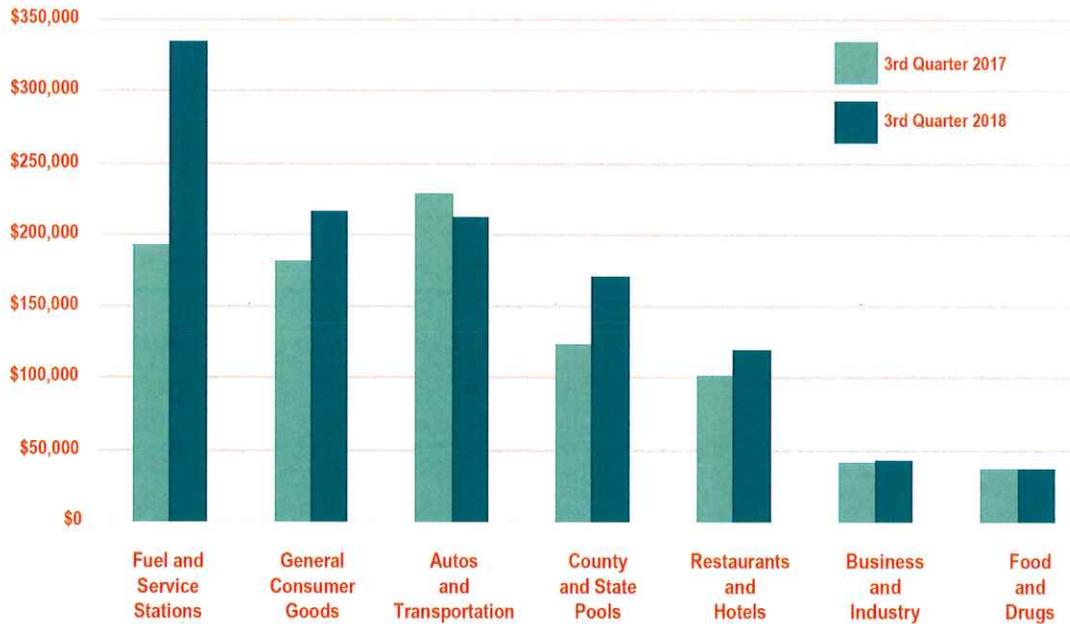
The City's allocation from the countywide use tax pool increased as the size of the pool itself grew with the inclusion of previously missing receipts.

Rising fuel prices and onetime collections of tax from capital equipment purchases were the source of real growth this period but a sharp drop in auto/transportation receipts offset those gains.

Measure D, the City's ¼% district tax brought in \$336,183 this period. This included nearly \$65,000 in late payments. Discounting that amount from the total, Measure D gained 7.8% over the prior year.

Net of adjustments, taxable sales for all of Tehama County grew 0.6% over the comparable time period while those of the entire Far North region were up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

A Wireless	Pactiv
Adobe Minimart	Raley's
Antelope Liquors & Gas	Red Bluff Chrysler Dodge Jeep Ram
Arco AM PM	Red Bluff Food Mart
Dollar General	Red Bluff Gas
Flyers	Red Bluff Shell
Food Maxx	Rina's Mini Mart
Growney Motors Buick/GMC	Sharis Restaurant
Home Depot	Taco Bell
Les Schwab Tire Center	USA Gas
McDonald's	Valero
More for Less Gas	Walmart Supercenter
One Stop Gas	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$921,786	\$1,114,145
County Pool	123,358	170,930
State Pool	719	581
Gross Receipts	\$1,045,863	\$1,285,656
Cty/Cnty Share	(104,586)	(128,566)
Net Receipts	\$941,276	\$1,157,091
Measure D	\$250,608	\$341,033

California Overall

The CDTEA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 4.8% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

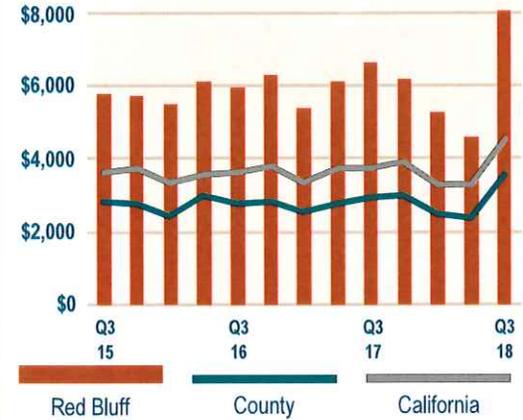
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

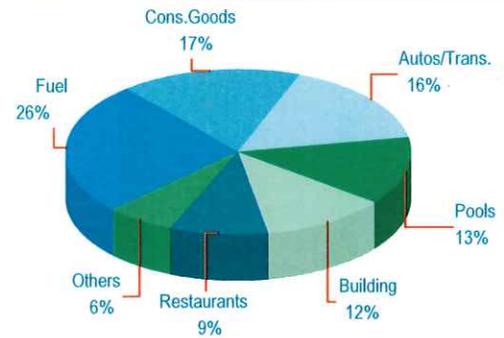
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Red Bluff This Quarter



RED BLUFF TOP 15 BUSINESS TYPES

Business Type	Red Bluff		County	HdL State
	Q3 '18*	Change	Change	Change
Auto Repair Shops	14.0	18.5%	25.2%	14.3%
Automotive Supply Stores	35.1	20.9%	11.2%	9.1%
Building Materials	— CONFIDENTIAL —	—	37.0%	29.7%
Casual Dining	58.3	14.2%	22.2%	14.6%
Discount Dept Stores	— CONFIDENTIAL —	—	28.9%	18.3%
Drug Stores	8.7	6.9%	3.3%	2.8%
Electronics/Appliance Stores	13.7	-8.7%	-7.6%	12.3%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	-46.9%	9.1%
Grocery Stores	24.2	-2.5%	5.9%	16.1%
Home Furnishings	10.2	0.2%	3.2%	21.9%
Light Industrial/Printers	11.3	na	422.8%	29.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-1.2%	12.7%
Quick-Service Restaurants	52.0	16.9%	18.6%	13.4%
Service Stations	328.0	73.6%	44.6%	43.0%
Variety Stores	— CONFIDENTIAL —	—	13.6%	-1.2%
Total All Accounts	1,114.1	20.9%	21.2%	21.8%
County & State Pool Allocation	171.5	38.2%	38.6%	27.8%
Gross Receipts	1,285.7	22.9%	23.3%	22.6%
City/County Share	(128.6)	-22.9%		
Net Receipts	1,157.1	22.9%		