

Q3



City of Red Bluff Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

Red Bluff In Brief

Receipts for Red Bluff's July through September sales were 3.4% higher than the same quarter one year ago. Actual sales activity was down 1.3% when reporting aberrations were factored out.

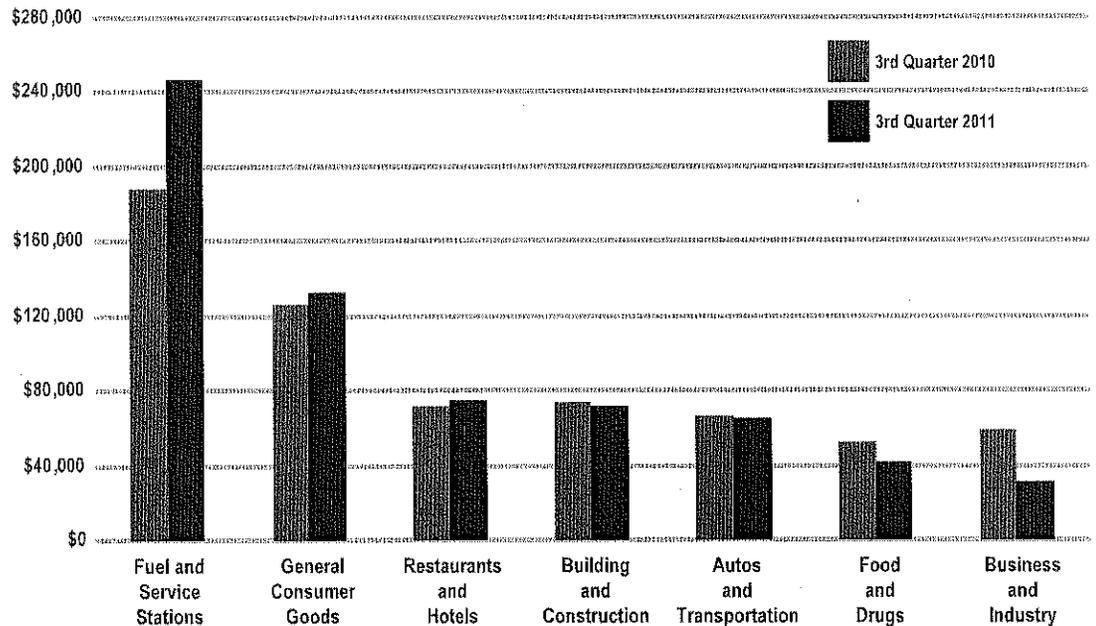
The gain from higher fuel prices in service stations was inflated by a retroactive adjustment while sales activity was up in electronics and sporting goods. Once adjusted for payment deviations, restaurants as a whole rose 5.1%.

The bump in gross receipts from a use tax allocation was offset by a decrease in the city's share of the countywide use tax allocation pool.

A onetime deduction to correct a prior error exaggerated the decline in the business and industry group. Nonetheless, agriculture-related receipts gained over a year ago. A business closeout contributed to the loss in building and construction and there was a drop in returns in the grocery stores with liquor category.

Adjusted for aberrations, taxable sales for all of Tehama County increased 11.2% over the comparable time period, while the Far North region as a whole was up 7.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

1 Stop	Main Street Chevron
Adobe Road Chevron	McDonalds
Antelope Valero	More for Less
Arco AM PM Mini Mart	O'Reilly Auto Parts
Circle 7 Days	Pneumatic Conveying & Manufacturing
CVS Pharmacy	Raleys
Exxon Food Mart	Red Bluff AM PM
Food Maxx	Red Bluff Gas
Growney Motors Buick Pontiac	Red Bluff Shell
Home Depot	Taco Bell
Les Schwab Tire Center	Tesoro West Coast
Liquor & Food	Tractor Supply Company
	Walmart

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$1,268,157	\$1,386,230
County Pool	175,651	125,596
State Pool	927	171
Gross Receipts	\$1,444,734	\$1,511,997
Cty/Cnty Share	(144,473)	(131,200)
Net Receipts	\$1,300,261	\$1,360,797
Less Triple Flip*	\$(325,065)	\$(340,199)

*Reimbursed from county compensation fund

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

Sales Tax and the Internet

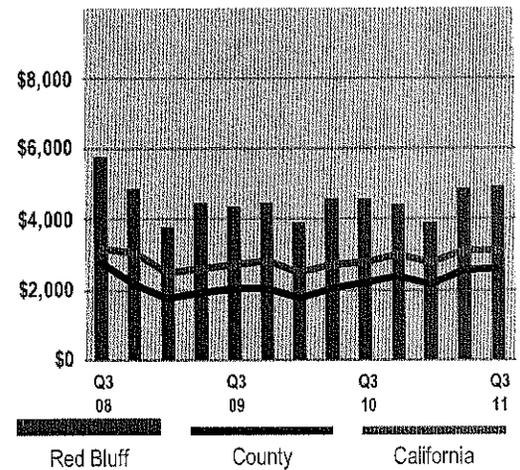
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted

in legislation (AB 155) that requires in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

SALES PER CAPITA



RED BLUFF TOP 15 BUSINESS TYPES

Business Type	Red Bluff		County	HdL State
	Q3 11	Change	Change	Change
Auto Repair Shops	13,799	26.6%	-3.0%	4.8%
Automotive Supply Stores	24,607	10.4%	8.8%	12.3%
Discount Dept. Stores	— CONFIDENTIAL —	—	-0.5%	3.1%
Drug Stores	9,895	9.2%	8.0%	6.2%
Garden/Agricultural Supplies	26,727	43.7%	33.3%	11.2%
Grocery Stores/Liquor	25,300	-30.6%	-17.1%	10.8%
Heavy Industrial	8,358	-84.3%	-45.4%	20.5%
Lumber/Building Materials	— CONFIDENTIAL —	—	-1.8%	4.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-2.1%	12.3%
Receivables/Master Outlets	— CONFIDENTIAL —	—	na	59.6%
Restaurants/Beer And Wine	10,463	0.4%	2.7%	0.8%
Restaurants/Liquor	24,678	12.8%	7.0%	10.9%
Restaurants/No Alcohol	37,647	-3.1%	-0.5%	7.1%
Service Stations	240,644	31.6%	39.0%	20.5%
Used Automotive Dealers	6,735	15.1%	9.5%	10.9%
Total All Accounts	\$697,801	9.7%	18.6%	9.4%
County & State Pool Allocation	65,503	-35.6%		
Gross Receipts	\$763,304	3.4%		
City/County Share	(76,330)	-3.4%		
Net Receipts	\$686,974	3.4%		