

Q4 2016



City of Red Bluff Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Red Bluff In Brief

Red Bluff's receipts from October through December were 8.7% higher than the same period in 2015. After adjusting for reporting aberrations, actual sales were up 4.3%.

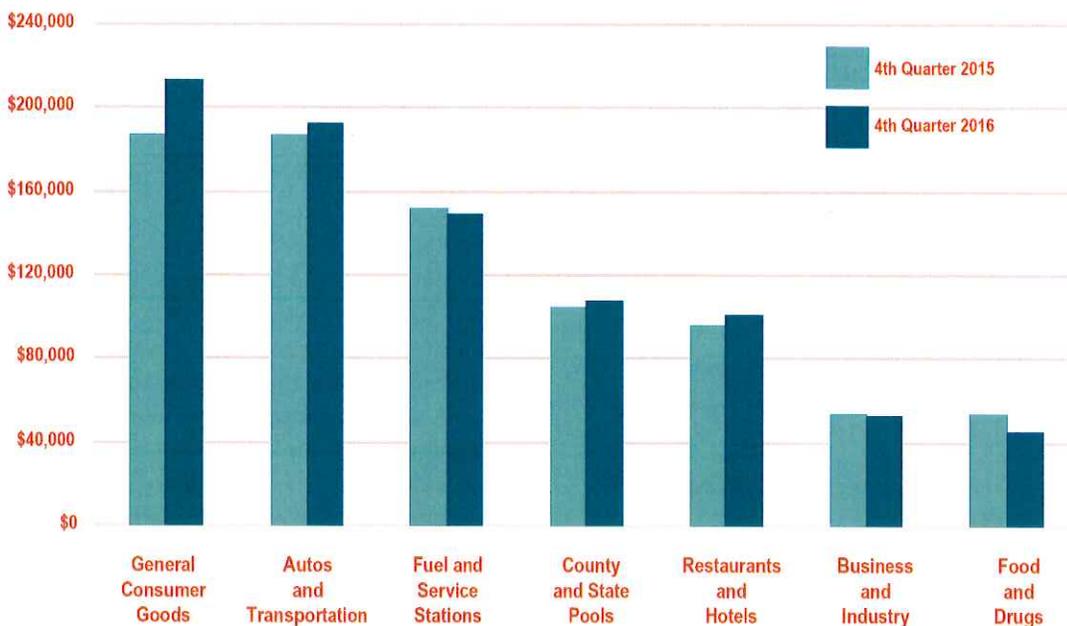
Dealership incentives coupled with an abundance of available vehicle inventory produced growth in the auto and transportation sector. General consumer goods had a solid performance, benefiting from retail openings and store renovations; local consumer purchasing is evidenced in higher receipts from home furnishings and electronics outlets.

Building and construction suppliers saw modest improvement in this reporting period. The City's share of the countywide use tax pool grew by 9% while overall pool collections declined 2.5%; when combined, the net revenue was positive. Gasoline prices, although higher than the prior year quarter, did not climb enough to end the cycle of reduced taxes from fuel-services stations.

Proceeds from the voter-approved Measure D quarter cent transactions tax generated an additional \$217,686.

Net of aberrations, taxable sales for all of Tehama County grew 0.3% over the comparable time period; the Far North region was up 1.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

76	North Valley Distributing
Adobe Minimart	One Stop Gas
Arco AM PM	Raleys
CVS	Red Bluff Chrysler Dodge Jeep Ram
Dollar General	Red Bluff Shell
Food Maxx	Sharis Restaurant
Growney Motors Buick/GMC	Shell
Home Depot	St Elizabeth Hospital
Jack in the Box	Taco Bell
Les Schwab Tire Center	Tractor Supply
Main Street Chevron	Valero
McDonalds	Walmart
More for Less Gas	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,608,744	\$1,701,267
County Pool	225,672	233,036
State Pool	1,952	1,169
Gross Receipts	\$1,836,367	\$1,935,472
Cty/Cnty Share	(183,637)	(193,547)
Net Receipts	\$1,652,731	\$1,741,925
Less Triple Flip*	\$(413,183)	\$0
Measure D	\$499,974	\$469,629

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

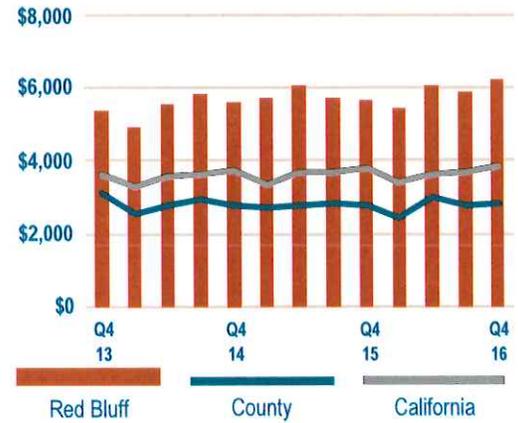
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

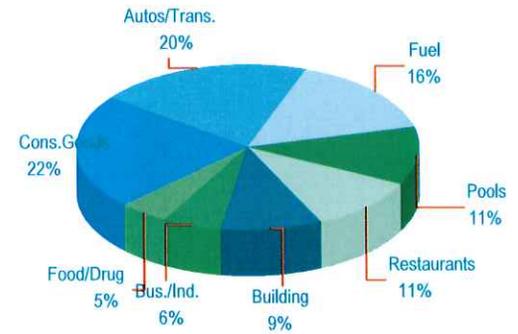
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Red Bluff This Quarter



RED BLUFF TOP 15 BUSINESS TYPES

Business Type	Red Bluff		County	HdL State
	Q4 '16	Change	Change	Change
Automotive Supply Stores	23,947	-8.4%	-4.7%	0.0%
Building Materials	— CONFIDENTIAL —	—	5.2%	0.7%
Casual Dining	49,957	3.3%	4.3%	2.7%
Discount Dept Stores	— CONFIDENTIAL —	—	28.1%	-0.6%
Drug Stores	10,984	-4.5%	8.1%	10.2%
Electronics/Appliance Stores	16,844	8.7%	9.2%	-1.3%
Garden/Agricultural Supplies	25,466	0.0%	6.5%	-2.6%
Grocery Stores	30,086	-19.9%	-10.8%	3.9%
Home Furnishings	9,430	3.0%	3.9%	0.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	13.5%	5.6%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	949.1%	1.6%
Quick-Service Restaurants	45,593	6.9%	2.8%	5.7%
Receivables/Master Outlets	— CONFIDENTIAL —	—	726.0%	115.6%
Service Stations	145,076	-2.2%	-6.8%	-1.0%
Variety Stores	— CONFIDENTIAL —	—	8.3%	5.4%
Total All Accounts	875,955	9.4%	2.7%	2.4%
County & State Pool Allocation	108,051	3.0%	-3.3%	6.9%
Gross Receipts	984,006	8.7%	2.0%	3.0%
City/County Share	(98,401)	-8.7%		
Net Receipts	885,605	8.7%		