

Q2 2018



City of Anderson Sales Tax *Update*

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

Anderson In Brief

Anderson's receipts from April through June were 9.1% below the second sales period in 2017. Excluding reporting aberrations, actual sales were up 3.2%.

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.

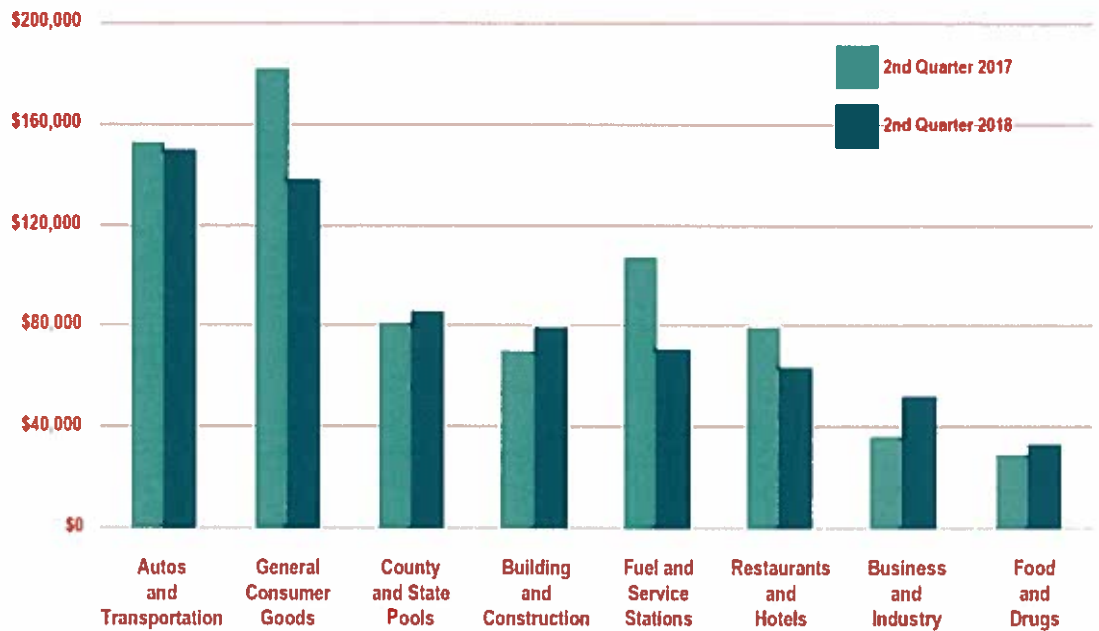
Corporate relocations and demand for new facilities are driving the increase in the building-construction group. A negative adjustment in the comparison period caused a temporary increase for business and industry.

While gas prices continued to rise in the second quarter, delayed payments skewed results downward. Partial taxpayer payments had a negative impact on general consumer goods. A new business addition helped to boost revenue for food and drugs.

The City's share of the countywide use tax pool increased 5.3% over the same period in the prior year. The City's ½ cent transaction tax, Measure A, generated an additional \$287,736 in revenue.

Net of aberrations, taxable sales for all of Shasta County grew 2.7% 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

Ace Hardware Express	Payless Building Supply
B & B RV	Rite Aid
Bejac	Safeway
Boot Barn	Safeway Fuel
Camping World	Sierra Pacific Industries
Camping World RV	Sonic
Factory Outlet Shell	Systems Plus Lumber
Handispot Market	Taco Bell
Les Schwab Tire Center	Tower Mart
McDonalds	Tractor Supply
Norcal Kenworth Anderson	USA Gas
O'Reilly Auto Parts	Walmart Supercenter
Outdoor Creations	

REVENUE COMPARISON

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

	2016-17	2017-18
Point-of-Sale	\$2,345,601	\$2,560,660
County Pool	296,556	312,028
State Pool	1,180	1,462
Gross Receipts	\$2,643,337	\$2,874,151
Measure A	\$1,338,796	\$1,329,159

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.

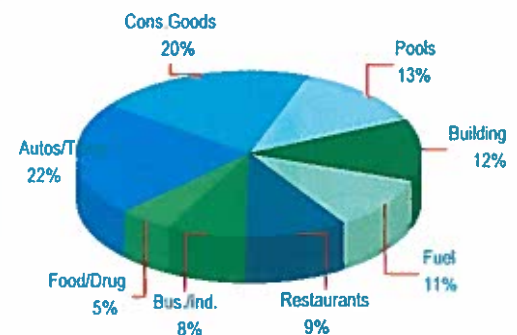
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly 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
Anderson This Quarter



ANDERSON TOP 15 BUSINESS TYPES

Business Type	Anderson		County	HdL State
	Q2 '18	Change	Change	Change
Automotive Supply Stores	16,715	-18.4%	-16.6%	-11.6%
Building Materials	54,850	15.8%	-21.4%	-23.2%
Casual Dining	15,545	-36.6%	-21.7%	-12.7%
Contractors	23,771	8.8%	40.7%	-10.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-16.6%	-13.5%
Drug Stores	— CONFIDENTIAL —	—	-4.5%	-4.2%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	-31.4%	-15.8%
Grocery Stores	— CONFIDENTIAL —	—	3.2%	-7.0%
Heavy Industrial	7,902	-8.2%	-37.1%	-24.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-19.5%	-2.0%
Quick-Service Restaurants	38,212	-16.4%	-10.6%	-6.0%
Service Stations	70,134	-29.9%	-34.8%	-26.6%
Shoe Stores	— CONFIDENTIAL —	—	-0.1%	-3.3%
Trailers/RVs	103,776	-1.5%	-12.7%	-6.8%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —	—	15.2%	-26.3%
Total All Accounts	585,353	-10.9%	-15.4%	-12.2%
County & State Pool Allocation	86,025	6.0%	0.7%	5.5%
Gross Receipts	671,378	-9.1%	-13.6%	-10.1%