

Q1 2017



City of Anderson Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Anderson In Brief

Anderson's receipts from January through March were 5.9% above the first sales period in 2016.

Rising fuel prices sparked a 20% increase in receipts from service stations while sales of recreational vehicles also rose sharply this period.

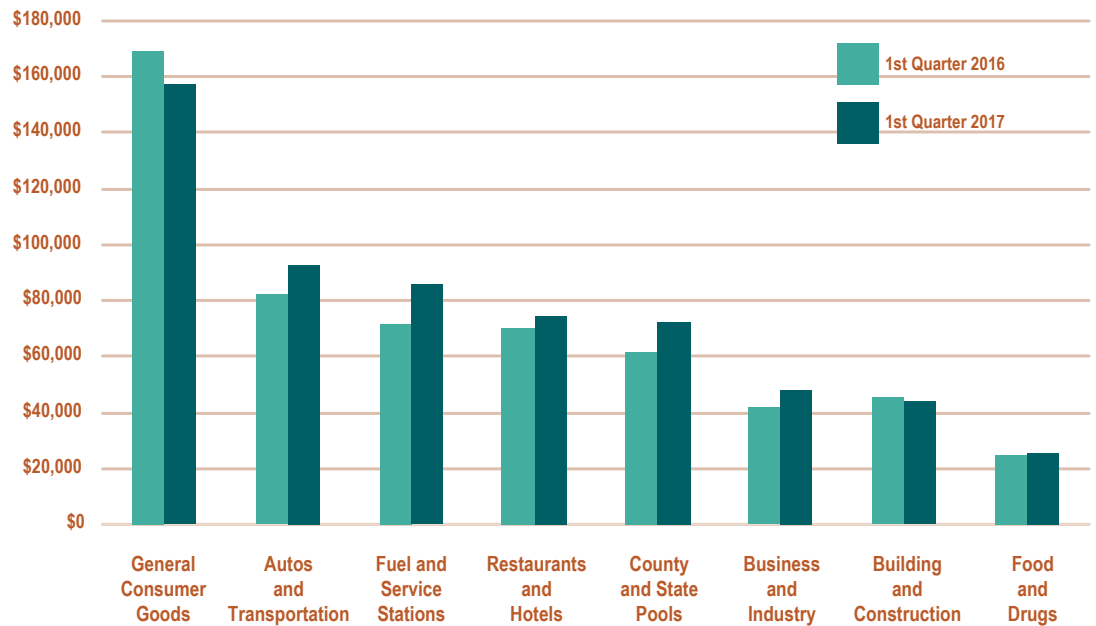
The size of the countywide use tax pool grew by \$110,000 which increased the City's allocation by over \$9,500. A late payment received this quarter along with the prior opening of a new dining venue helped lift restaurant receipts. Business and industry receipts were also higher as nearly every segment of the group reported a gain in receipts.

Partially offsetting these results was the overall decline in general consumer good activity and the decline in building material sales.

Measure A generated \$305,048 or 9.9% less than this time last year. The largest declines came from lower sales of building materials and general consumer goods.

Net of aberrations, taxable sales for all of Shasta County grew 4.2% over the comparable time period; the Far North region was up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware Express	Pendleton Woolen Mills
Arco AM PM	Rite Aid
B & B RV	Safeway
Beacon w/Mikes Food & Fuel	Safeway Fuel
Beeler Tractor Company	Sonic
Bejac	Systems Plus Lumber
Camping World RV	Taco Bell
Handspot Market	Tower Mart
Les Schwab Tire Center	Tractor Supply
McDonalds	USA Gas
O'Reilly Auto Parts	Valero
Outdoor Creations	Walmart Supercenter
Payless Building Supply	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,222,986	\$2,309,871
County Pool	264,619	288,788
State Pool	1,569	1,732
Gross Receipts	\$2,489,174	\$2,600,391
Less Triple Flip*	\$(480,788)	\$0
Measure A	\$1,304,329	\$1,363,642

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

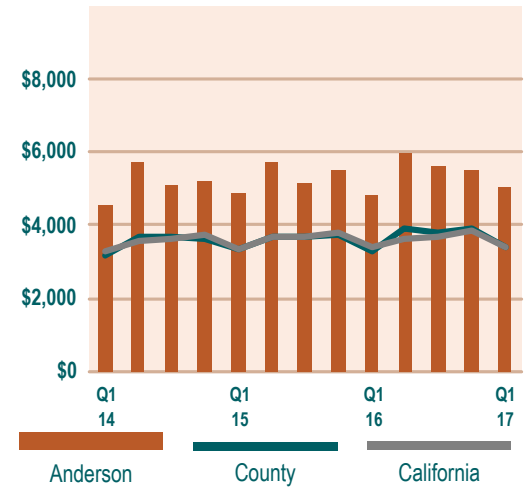
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

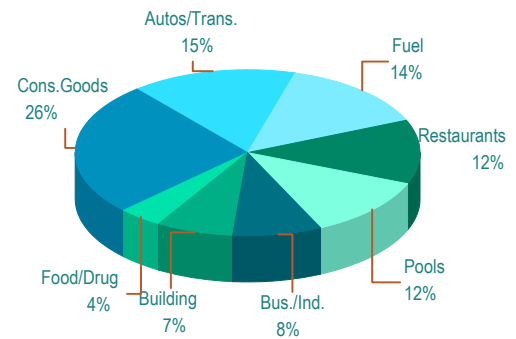
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Anderson This Quarter



ANDERSON TOP 15 BUSINESS TYPES

Business Type	Anderson		County	HdL State
	Q1 '17	Change	Change	Change
Automotive Supply Stores	17,529	9.1%	7.3%	0.0%
Building Materials	35,534	-5.0%	3.0%	3.2%
Casual Dining	22,647	7.4%	-0.1%	0.3%
Contractors	7,530	7.5%	21.4%	-4.1%
Discount Dept Stores	— CONFIDENTIAL —	—	-3.6%	1.6%
Drug Stores	— CONFIDENTIAL —	—	-0.2%	-2.5%
Electronics/Appliance Stores	9,156	10.7%	-1.9%	-0.2%
Family Apparel	10,476	-15.2%	4.5%	0.8%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	25.9%	-1.3%
Grocery Stores	— CONFIDENTIAL —	—	1.4%	0.5%
Heavy Industrial	— CONFIDENTIAL —	—	55.7%	3.1%
Quick-Service Restaurants	43,284	5.5%	6.4%	4.6%
Service Stations	81,574	20.9%	22.9%	9.9%
Shoe Stores	— CONFIDENTIAL —	—	-6.6%	-2.8%
Trailers/RVs	64,136	20.6%	17.9%	11.0%
Total All Accounts	527,090	4.5%	4.5%	1.8%
County & State Pool Allocation	72,228	17.2%	17.1%	2.9%
Gross Receipts	599,318	5.9%	5.8%	1.9%