

Q2 2012



City of Red Bluff Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

Red Bluff In Brief

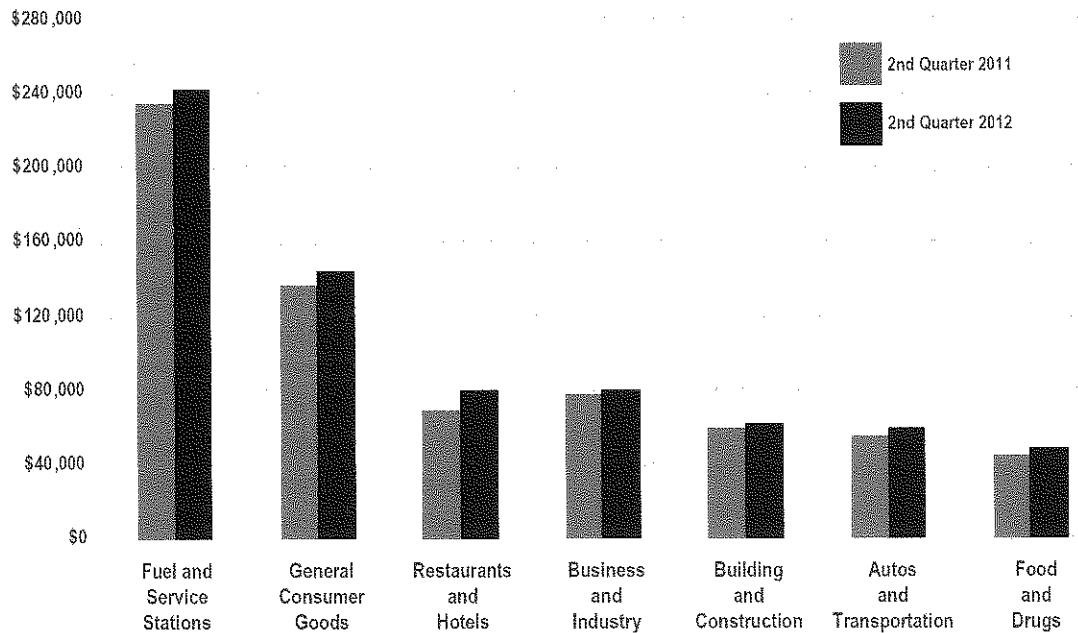
Receipts for Red Bluff's April through June sales were 8.1% higher than the same quarter one year ago.

Higher fuel prices contributed to positive returns in the service station sector. The gain in general consumer goods and restaurants was overstated by multiple payment deviations.

Revenues increased in all other major industry groups. This gain was boosted by a rise in the city's share of the countywide use tax allocation pool.

Adjusted for aberrations, taxable sales for all of Tehama County increased 2.6% over the comparable time period, while the Far North region as a whole was up 5.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

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

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$688,429	\$733,535
County Pool	60,661	75,038
State Pool	(398)	725
Gross Receipts	\$748,693	\$809,297
Cty/Cnty Share	(74,869)	(80,930)
Net Receipts	\$673,823	\$728,368
Less Triple Flip*	\$(168,456)	\$(182,092)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier. Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

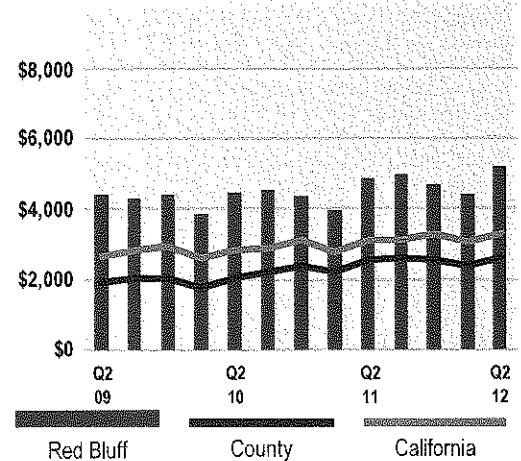
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

SALES PER CAPITA



RED BLUFF TOP 15 BUSINESS TYPES

Business Type	Red Bluff		County	HdL State
	Q2 '12	Change	Change	Change
Auto Repair Shops	11,296	10.3%	17.8%	4.9%
Automotive Supply Stores	22,908	6.7%	-5.4%	8.1%
Discount Dept Stores	— CONFIDENTIAL —	—	0.9%	3.7%
Drug Stores	9,864	-0.5%	2.8%	3.5%
Electronics/Appliance Stores	9,782	-1.0%	-1.0%	-2.4%
Garden/Agricultural Supplies	28,513	2.8%	-3.7%	5.1%
Grocery Stores Liquor	31,582	14.5%	16.6%	4.2%
Heavy Industrial	23,001	264.9%	92.7%	14.0%
Lumber/Building Materials	— CONFIDENTIAL —	—	10.3%	20.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	5.7%	22.3%
Receivables/Master Outlets	— CONFIDENTIAL —	—	42.0%	88.4%
Restaurants Beer And Wine	10,771	15.2%	9.6%	0.3%
Restaurants Liquor	28,993	36.8%	43.1%	11.2%
Restaurants No Alcohol	39,663	5.2%	5.4%	8.1%
Service Stations	235,658	2.8%	-3.3%	2.3%
Total All Accounts	\$733,535	6.6%	0.4%	6.7%
County & State Pool Allocation	75,763	25.7%		
Gross Receipts	\$809,297	8.1%		
City/County Share	(80,930)	-8.1%		
Net Receipts	\$728,368	8.1%		