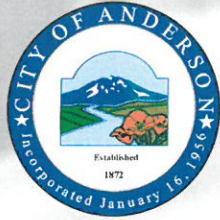


Q3 2017



City of Anderson Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Anderson In Brief

Anderson's receipts from July through September were 15.5% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 13.2%.

The June 2017 annexation added additional businesses to the City's sphere of influence, increasing overall local tax revenue. Low interest rates on long-term financing options boosted receipts from auto-transportation including trailer and RV dealers.

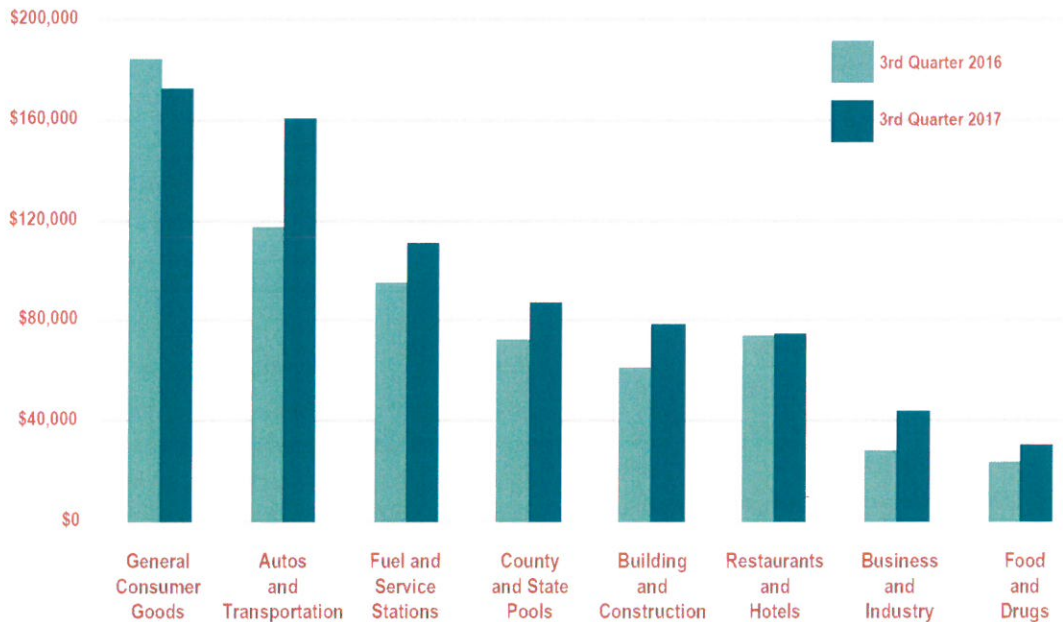
The return of higher fuel prices had a positive impact on revenue from service stations. Strong summer results from multiple contractors and building material vendors boosted building-construction totals. A new business helped increase revenue for food and drugs.

General consumer goods reported a sluggish sales quarter, further exacerbated by a store closure.

The City's share of the countywide use tax pool increased 19.2% over the same period in the prior year.

Net of aberrations, taxable sales for all of Shasta County grew 7.2% over the comparable time period; the Far North region was up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware Express	O'Reilly Auto Parts
Advanced Auto Wholesale	Outdoor Creations
Arco AM PM	Payless Building Supply
B & B RV	Preferred Pump
Beacon w/Mikes Food & Fuel	Rite Aid
Boot Barn	Safeway
Camping World RV	Safeway Fuel
Coast Tank Line	Sonic
Factory Outlet Shell	Systems Plus Lumber
Handisport Market	T & S DVBE
Les Schwab Tire Center	Tower Mart
Norcal Kenworth Anderson	Tractor Supply
	Walmart Supercenter

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,206,292	\$1,329,581
County Pool	146,356	168,085
State Pool	411	182
Gross Receipts	\$1,353,059	\$1,497,848
Measure A	\$719,683	\$700,414

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

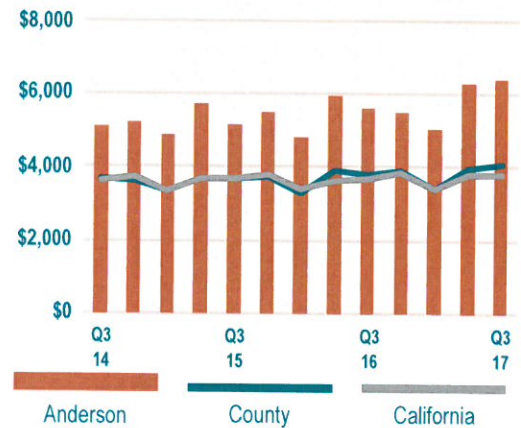
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

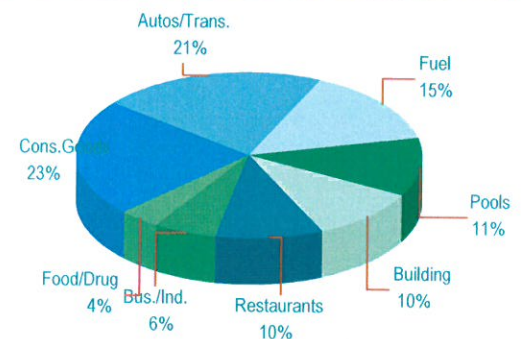
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Anderson This Quarter**



ANDERSON TOP 15 BUSINESS TYPES

Business Type	Anderson		County	HdL State
	Q3 '17	Change	Change	Change
Automotive Supply Stores	21,254	7.2%	7.2%	3.6%
Building Materials	50,613	5.0%	7.0%	5.6%
Casual Dining	22,132	2.6%	-2.8%	2.2%
Contractors	27,395	120.0%	11.0%	6.3%
Discount Dept Stores	— CONFIDENTIAL —		1.8%	6.1%
Electronics/Appliance Stores	9,380	7.2%	7.2%	0.3%
Family Apparel	13,829	-25.0%	6.9%	1.7%
Garden/Agricultural Supplies	— CONFIDENTIAL —		3.5%	11.0%
Grocery Stores	— CONFIDENTIAL —		0.9%	0.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		7.3%	0.9%
Quick-Service Restaurants	43,896	0.5%	5.7%	4.8%
Service Stations	102,799	15.3%	13.2%	9.2%
Shoe Stores	— CONFIDENTIAL —		0.8%	-1.0%
Trailers/RVs	105,645	22.0%	16.2%	5.5%
Used Automotive Dealers	9,920	105.0%	3.6%	3.0%
Total All Accounts	672,415	15.0%	7.2%	4.1%
County & State Pool Allocation	87,112	19.6%	11.6%	4.8%
Gross Receipts	759,526	15.5%	7.7%	4.2%