City of Wasco Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Wasco In Brief

Wasco’s receipts from October through December were 32.4% below the fourth sales period in 2014. Excluding reporting aberrations, actual sales were down 4.7%.

A prior year reporting aberration in the fuel/service station group accounted for over one-half of the drop in sales tax receipts this quarter. Auto supply store results were also skewed negatively by a prior year reporting issue. General consumer good sales reflect mixed results during the holiday quarter.

Partially offsetting these declines were an increase in retail sales for the business/industry group along with a seasonal increase in sales for food/drug outlets. Most quick-service restaurants saw improved sales this quarter.

Net of aberrations, taxable sales for all of Kern County declined 11.9% over the comparable time period; the San Joaquin Valley was up 0.3%.

Sales Tax by Major Business Group

Revenue Comparison

Three Quarters – Fiscal Year To Date

<table>
<thead>
<tr>
<th></th>
<th>2014-15</th>
<th>2015-16</th>
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</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$952,071</td>
<td>$778,757</td>
</tr>
<tr>
<td>County Pool</td>
<td>116,769</td>
<td>106,321</td>
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<tr>
<td>State Pool</td>
<td>819</td>
<td>790</td>
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<tr>
<td>Gross Receipts</td>
<td>$1,069,659</td>
<td>$885,868</td>
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<tr>
<td>Less Triple Flip*</td>
<td>$(267,415)</td>
<td>$(221,467)</td>
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*Reimbursed from county compensation fund

Top 25 Producers

In Alphabetic Order

- 99 Cents Only
- AutoZone
- Builders Concrete
- Carter Pump & Machine
- Circle K
- Dollar General
- El Pueblo Market
- Family Dollar
- Fastrip
- Fiesta Supermarket
- Hwy 46 Quick Stop
- Jack in the Box
- Kmart
- McDonalds
- O’Reilly Auto Parts
- Pizza Hut
- Rite Aid
- San Joaquin Tractor
- Sandoval Industries
- Seal Master
- Taco Bell
- Wasco Chevron
- Wasco Circle K
- Wasco Mini Mart
- Wasco True Value

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California Overall
Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014’s holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL’s most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing.

A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!
Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax revenues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a $15 billion bond issue to cover operating deficits resulting from a combination of that year’s economic downturn plus failure to offset the loss of revenue from the Governor’s popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling $4.8 billion, plus another $200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.