**City of Wasco Sales Tax Update**

*Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)*

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**Wasco In Brief**

Wasco's receipts from July through September were 15.6% below the third sales period in 2015 mainly because of a reporting anomaly that affected fuel and service station receipts. Excluding such reporting anomalies, actual sales were up 10.6%.

Construction activity was below the level of the prior year. A prior business closure and lower reported receipts by most of its members lowered the business and industry group’s results this quarter.

Food and drug receipts were negatively affected by a prior store closure and a reporting anomaly that will be recovered in the future.

On the plus side, a new store opening countered the closure of several other stores to boost general consumer good receipts. Auto supply stores increased their receipts this period, mainly from a reporting anomaly representing the recovery of previously under paid taxes.

Restaurants reported a modest gain which was enhanced by the opening of a new dining venue.

Measure X, the City’s new 1% local tax, will be effective on April 1st and the City will receive its first payment in June.

Net of anomalies, taxable sales for all of Kern County declined 2.4% compared to this time last year; the San Joaquin Valley was up 1.3%.

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**Top 25 Producers**

*In Alphabetical Order*

- AutoZone
- Builders Concrete
- Carter Pump & Machine
- Circle K
- Country Auto & Truck
- Dennys
- El Pueblo Market
- Fastrip
- Fiesta Supermarket
- Jack in the Box
- Key Auto Sales
- Kmart
- McDonalds
- O’Reilly Auto Parts
- Pacific Tire Wasco
- Peterson Auto Supply
- San Joaquin Tractor Company
- Seal Master of California
- Taco Bell
- Walmart
- Wasco Circle K
- Chevron
- Wasco Market 76
- Wasco Mini Mart
- Wasco Tire Service
- Wasco True Value

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**Revenue Comparison**

Two Quarters – Fiscal Year To Date

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$552,683</td>
<td>$582,629</td>
</tr>
<tr>
<td>County Pool</td>
<td>74,831</td>
<td>87,177</td>
</tr>
<tr>
<td>State Pool</td>
<td>277</td>
<td>204</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$627,791</td>
<td>$670,099</td>
</tr>
<tr>
<td>Less Triple Flip*</td>
<td>$(156,948)</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Reimbursed from county compensation fund
Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer goods.

Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California’s limited refinery capacity and the trend toward less fuel-efficient SUV’s and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration’s proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL’s current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

Wasco Top 15 Business Types

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Wasco Q3 ’16</th>
<th>Change</th>
<th>County Change</th>
<th>HdL State Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Repair Shops</td>
<td>3,785</td>
<td>11.9%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Automotive Supply Stores</td>
<td>27,707</td>
<td>38.0%</td>
<td>14.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Casual Dining</td>
<td>7,040</td>
<td>-6.1%</td>
<td>-1.4%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Contractors</td>
<td>— CONFIDENTIAL</td>
<td>—</td>
<td>-5.6%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Convenience Stores/Liquor</td>
<td>8,984</td>
<td>2.2%</td>
<td>4.3%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Discount Dept Stores</td>
<td>— CONFIDENTIAL</td>
<td>—</td>
<td>-1.7%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Electronics/Appliance Stores</td>
<td>— CONFIDENTIAL</td>
<td>—</td>
<td>7.7%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Grocery Stores</td>
<td>5,651</td>
<td>-41.8%</td>
<td>-7.1%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Hardware Stores</td>
<td>— CONFIDENTIAL</td>
<td>—</td>
<td>3.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Heavy Industrial</td>
<td>— CONFIDENTIAL</td>
<td>—</td>
<td>-1.2%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Quick-Service Restaurants</td>
<td>33,477</td>
<td>5.2%</td>
<td>6.7%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Service Stations</td>
<td>51,259</td>
<td>10.1%</td>
<td>-11.6%</td>
<td>-13.8%</td>
</tr>
<tr>
<td>Used Automotive Dealers</td>
<td>— CONFIDENTIAL</td>
<td>—</td>
<td>-16.6%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Variety Stores</td>
<td>— CONFIDENTIAL</td>
<td>—</td>
<td>7.1%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Warehouse/Farm/Const. Equip.</td>
<td>— CONFIDENTIAL</td>
<td>—</td>
<td>-21.8%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Total All Accounts              | 234,385      | -18.6% | -7.8%         | 0.9%             |
County & State Pool Allocation  | 42,910       | 5.3%   | 19.2%         | 11.5%            |
Gross Receipts                  | 277,295      | -15.6% | -4.5%         | 2.2%             |