

# Q1 2016



# City of Redlands Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2016)

## Redlands In Brief

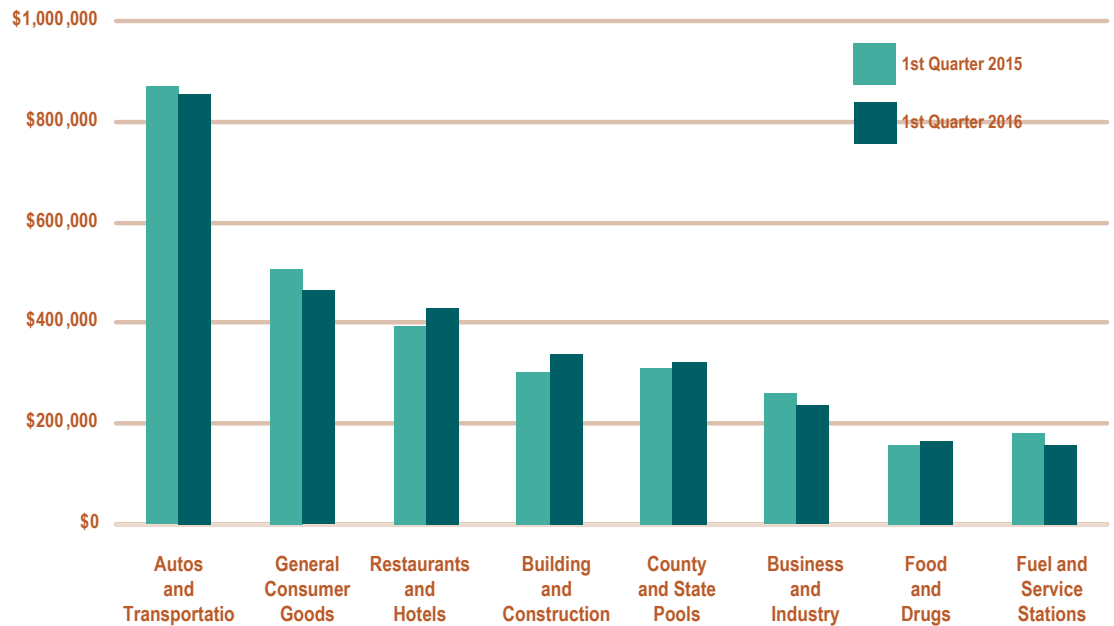
Redlands' receipts from January through March were 0.6% below 2015's first quarter results. Excluding reporting aberrations, actual sales were up 4.0%.

Late-arriving amounts from sales in a prior quarter caused the disparity between cash receipts and actual sales by temporarily inflating autos and transportation and business and industry proceeds in the comparison quarter. Net of these aberrations, the autos group was up while the business-industry category was little-changed. Building-construction, restaurants-hotels and the food-drugs segments were up in real terms and gains for all outpaced county and regional trends.

Retroactive takeaways of allocation errors skewed the general consumer goods comparison. General consumer sales dropped but far less than the raw data showed. Lower prices at the pump reduced fuel and service station totals.

Net of aberrations, taxable sales for all of San Bernardino County grew 9.9% over the comparable time period; the Southern California region was up 3.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Marshalls
AT&T	McDonalds
BD Microbiology System	Metro Nissan of Redlands
Burlington Coat Factory	Redlands Automotive Sales
Cal Wholesale Material Supply	Redlands Ford
Citrus Arco	Redlands Thrift Store
Dal Tile Distribution	Ross
ESRI Systems	Shell
Hatfield Buick & GMC Truck	Stater Bros
Home Depot	Tom Bell Chevrolet
Kmart	Tom Bell Toyota
Lowes	USA Gasoline
	Walmart

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$10,533,599	\$11,125,076
County Pool	1,225,921	1,294,592
State Pool	6,651	7,365
<b>Gross Receipts</b>	<b>\$11,766,171</b>	<b>\$12,427,033</b>
Less Triple Flip*	\$(2,941,543)	\$(2,363,602)

\*Reimbursed from county compensation fund

**California Overall**

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

**Robust Growth in Online Sales**

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

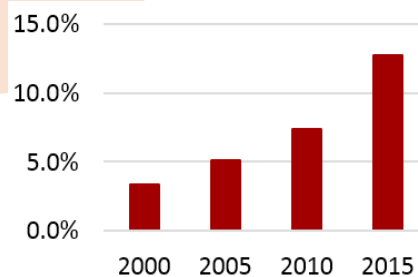
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

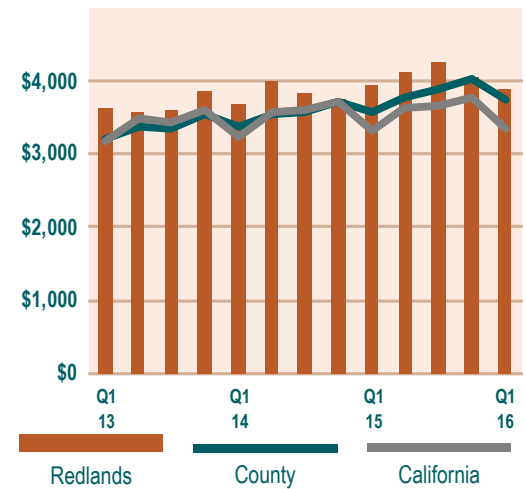
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

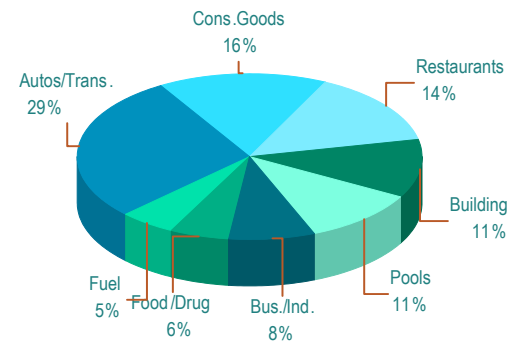
**Online General Consumer Goods  
YOY Percentage Growth**



**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP  
Redlands This Quarter**



**REDLANDS TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Redlands Q1 '16*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	41.1	0.9%	11.9%	7.4%
Automotive Supply Stores	62.8	7.5%	6.2%	4.8%
Business Services	48.1	3.5%	-1.3%	-7.2%
Casual Dining	166.4	7.1%	5.5%	5.8%
Discount Dept Stores	— CONFIDENTIAL —		0.1%	-0.3%
Electronics/Appliance Stores	42.1	19.9%	-5.5%	2.8%
Family Apparel	90.3	-10.0%	-4.9%	-0.7%
Fast-Casual Restaurants	48.8	19.1%	6.5%	2.7%
Grocery Stores Liquor	99.6	4.5%	-1.7%	1.6%
Lumber/Building Materials	288.4	14.0%	5.5%	4.5%
Medical/Biotech	71.1	-26.4%	14.5%	7.9%
New Motor Vehicle Dealers	677.5	-3.8%	6.7%	3.1%
Quick-Service Restaurants	189.1	9.3%	8.0%	6.4%
Service Stations	156.5	-13.6%	-11.6%	-9.3%
Specialty Stores	43.3	-19.5%	4.7%	3.4%
<b>Total All Accounts</b>	<b>2,651.1</b>	<b>-1.1%</b>	<b>5.2%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>321.6</b>	<b>3.4%</b>	<b>10.0%</b>	<b>14.1%</b>
<b>Gross Receipts</b>	<b>2,972.6</b>	<b>-0.6%</b>	<b>5.7%</b>	<b>3.2%</b>