

Q1 2019



City of Redlands Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Redlands In Brief

Redlands' receipts from January through March were 9.3% above the first sales period in 2018.

A couple large onetime payments in medical/biotech inflated business to business results and were largely responsible for the increase in actual sales. Newly opened restaurant options also contributed to the overall gain.

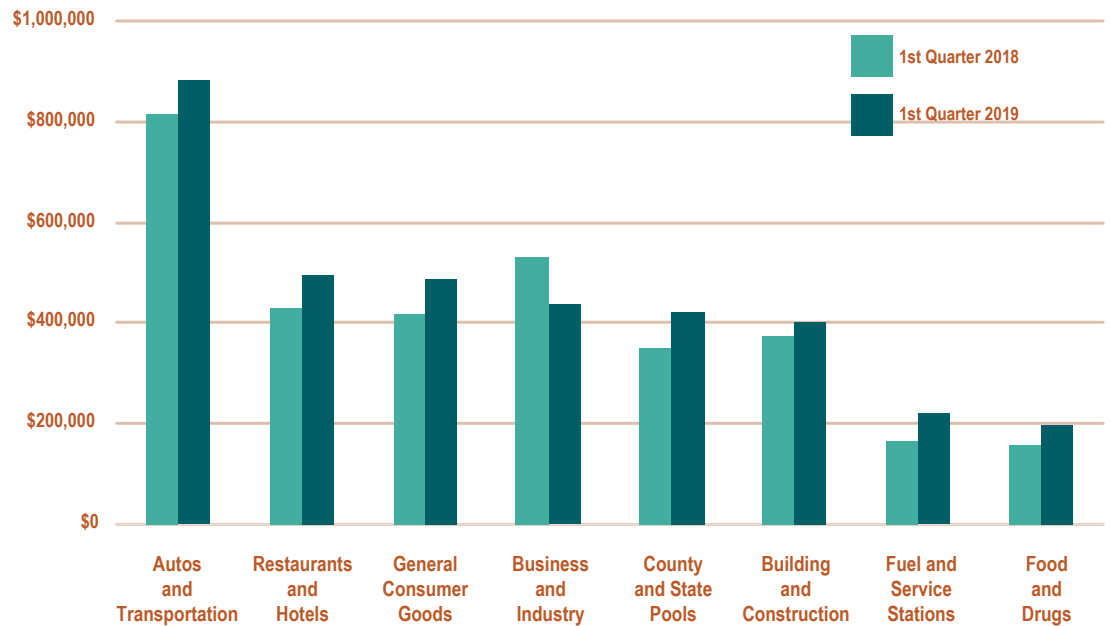
Higher sales in multiple categories including a 1.2% increase in new auto sales lifted the automotive group. Strong contractors' supply sales offset lower building material results that were impacted by a missing allocation to boost building and construction.

The City's allocation from the countywide use tax pool increased 19.9% due to onetime allocations in the current quarter and missing allocations in the comparative quarter in the pool.

The gains were partially offset by lower sales from family apparel, electronics and home furnishings that depressed general retail sales and a drop in receipts from service stations due lower gas prices

Net of aberrations, taxable sales for all of San Bernardino County grew 1.6% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lowes
Albertsons	Marshalls
BD Microbiology System	McDonalds
Big Lots	Metro Nissan of Redlands
Burlington	Redlands Chrysler Jeep Dodge Ram
Calply	Redlands Ford
Circle K	Redlands Underground
Citrus Arco	Renovis Surgical Technologies
Core Health & Fitness	Stater Bros
Hatfield Buick & GMC Truck	Tom Bell Chevrolet
Home Depot	Tom Bell Toyota
Intelligrated systems	Walmart
Kmart	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$8,523,848	\$9,697,291
County Pool	1,066,085	1,276,145
State Pool	5,404	5,006
Gross Receipts	\$9,595,338	\$10,978,443

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

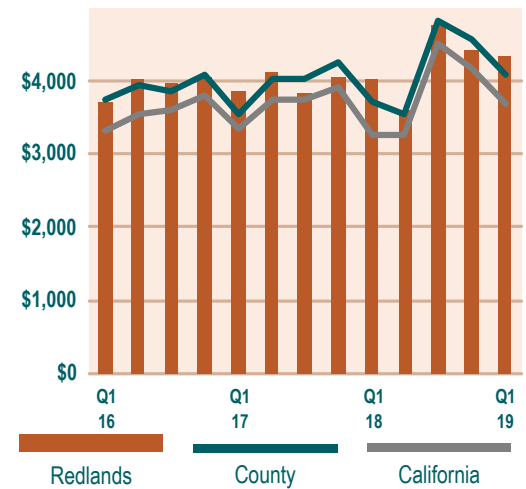
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

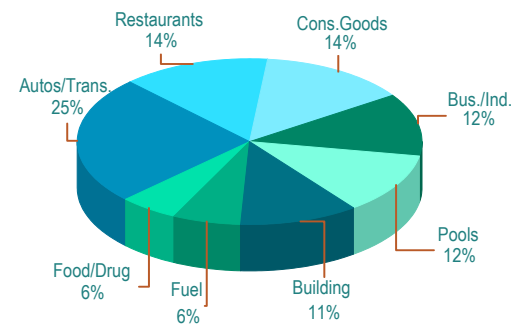
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Redlands This Quarter



REDLANDS TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Redlands Q1 '19*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	44.6	15.7%	22.0%	12.4%
Automotive Supply Stores	72.8	12.1%	9.4%	8.8%
Building Materials	322.3	3.6%	1.3%	4.0%
Casual Dining	195.5	15.7%	16.5%	13.3%
Contractors	67.1	22.2%	12.8%	4.8%
Discount Dept Stores	— CONFIDENTIAL —	—	3.4%	2.9%
Family Apparel	80.4	36.0%	7.7%	7.1%
Fast-Casual Restaurants	61.9	20.5%	10.9%	8.7%
Grocery Stores	144.3	33.1%	30.3%	25.7%
Heavy Industrial	— CONFIDENTIAL —	—	81.6%	15.4%
Medical/Biotech	— CONFIDENTIAL —	—	3.1%	5.8%
New Motor Vehicle Dealers	673.3	1.2%	-0.1%	-1.8%
Quick-Service Restaurants	196.5	8.3%	10.7%	10.1%
Service Stations	220.4	32.9%	19.1%	15.8%
Specialty Stores	56.1	0.2%	18.3%	23.4%
Total All Accounts	3,122.8	8.0%	11.3%	13.5%
County & State Pool Allocation	420.6	19.5%	23.1%	23.8%
Gross Receipts	3,543.3	9.3%	12.5%	14.9%