

Q4 2019



City of Redlands Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Redlands In Brief

Redlands's receipts from October through December were 3.7% above the fourth sales period in 2018. Excluding aberrations, actual sales were down 0.5%.

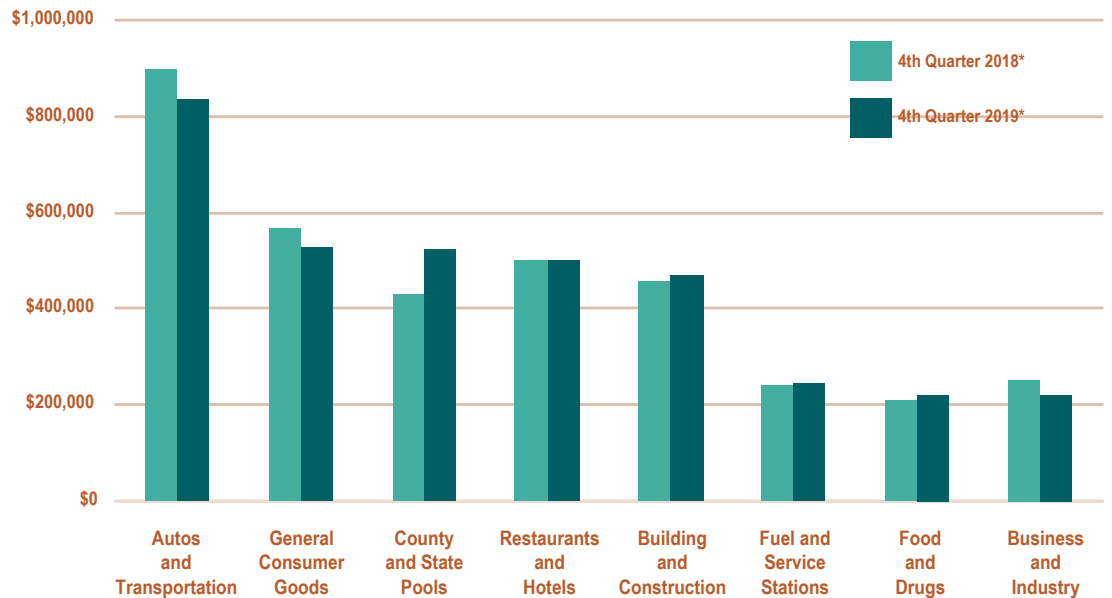
The City's allocation from the countywide use tax pool increased 21.6% during the quarter. State-wide, pool results accounted for 95% of all sales tax growth, boosted by sharply higher receipts from on-line shopping as a result of the Wayfair decision and implementation of the marketplace facilitator provision that required additional out of state companies to collect sales tax. The City's point of sale actual results were down 3.5%.

The largest drop in local actual sales was a 10.1% decline in new auto sales. The prior closeout of a retail outlet and large drops from sporting goods, specialty and electronics stores depressed general consumer goods 7.4%. Lower sales from light industrial, business services, and furnishings sank business an industry 13.0%. Restaurant sales were down 0.5%.

Bright spots included a 22.9% increase in contractors' supplies and a 42.1% spike in medical/biotech.

Net of aberrations, taxable sales for all of San Bernardino County grew 3.3% over the comparable time period; the Southern California region was up 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACH Mechanical Contractors	Layne Water Mgmt/ Drilling
Albertsons	Lowes
Altec Industries	Marshalls
Burlington	McDonalds
Calply	Metro Nissan of Redlands
Circle K	Redlands Chrysler Jeep Dodge Ram
Citrus Arco	Redlands Shell
CVS Pharmacy	Stater Bros
Hatfield Buick & GMC Truck	Tom Bell Chevrolet
Home Depot	Tom Bell Toyota
HYR Powersports	USA Gasoline
Ken Grody Ford Redlands	Vector Steel
	Walmart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$6,574,527	\$6,170,554
County Pool	857,322	888,822
State Pool	3,262	2,692
Gross Receipts	\$7,435,110	\$7,062,069

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

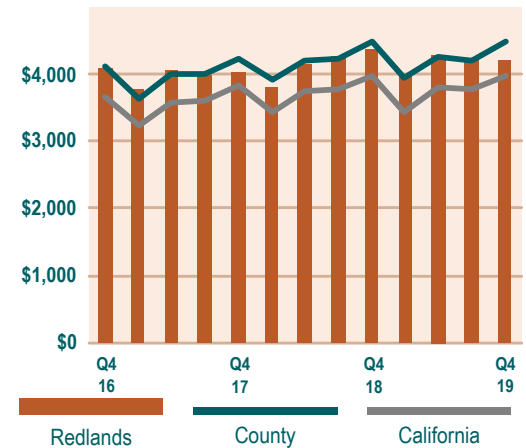
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

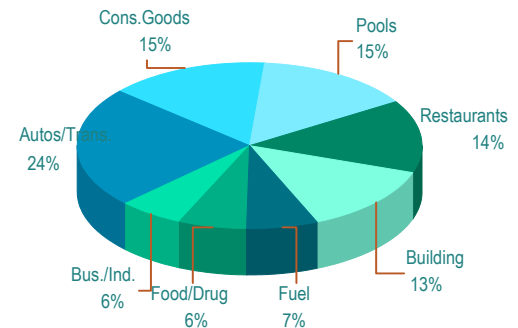
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Redlands This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

REDLANDS TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Redlands Q4 '19*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	44.6	6.4%	-4.5%	-1.0%
Automotive Supply Stores	61.4	-3.0%	-2.5%	0.6%
Building Materials	343.2	-1.9%	-0.5%	1.4%
Casual Dining	190.3	1.7%	6.5%	3.8%
Contractors	119.1	22.9%	13.2%	-4.4%
Discount Dept Stores	—	CONFIDENTIAL	2.6%	3.6%
Family Apparel	96.5	8.7%	3.6%	1.3%
Fast-Casual Restaurants	54.6	-4.4%	4.8%	4.4%
Grocery Stores	159.7	7.5%	3.5%	1.3%
Heavy Industrial	—	CONFIDENTIAL	-17.7%	-3.2%
Medical/Biotech	40.3	42.1%	1.1%	-0.9%
New Motor Vehicle Dealers	628.6	-10.1%	-4.5%	-3.4%
Quick-Service Restaurants	209.0	-2.0%	1.9%	1.9%
Service Stations	243.6	1.8%	2.1%	0.2%
Specialty Stores	71.6	-8.5%	-9.1%	-3.8%
Total All Accounts	3,015.4	-3.5%	0.8%	0.2%
County & State Pool Allocation	523.2	21.4%	21.6%	26.7%
Gross Receipts	3,538.7	-0.5%	3.3%	4.2%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.