Redlands In Brief

Redlands’ receipts from July through September were 3.2% below the third sales period in 2016. Excluding reporting aberrations, actual sales were up 0.6%.

Misallocated payments and corresponding corrections caused a decrease in revenue for casual dining, fast casual restaurants, family apparel and sporting goods/bike stores. Electronics/appliance stores experienced a sluggish sales quarter.

The return of higher gas prices resulted in an increase in revenue for service stations. New additions helped to boost revenue for quick-service restaurants. New car dealerships reported healthy gains.

A stable housing market and steady summer sales produced a favorable outcome for the building and construction sector.

The City’s share of the countywide use tax pool decreased 5.1% when compared to the same period in the prior year.

Net of aberrations, taxable sales for all of San Bernardino County grew 5.2% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP

REVENUE COMPARISON
Two Quarters – Fiscal Year To Date

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2017-18</th>
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<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$5,692,230</td>
<td>$5,682,245</td>
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<tr>
<td>County Pool</td>
<td>692,340</td>
<td>680,782</td>
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<tr>
<td>State Pool</td>
<td>1,940</td>
<td>601</td>
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<tr>
<td>Gross Receipts</td>
<td>$6,386,510</td>
<td>$6,363,628</td>
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Statewide Trends

After factoring for accounting anomalies, local government’s one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users’ transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area’s total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.