

CITY OF REDLANDS

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



REDLANDS

TOTAL: \$ 4,902,881

-1.6%

2Q2023



-5.9%

COUNTY



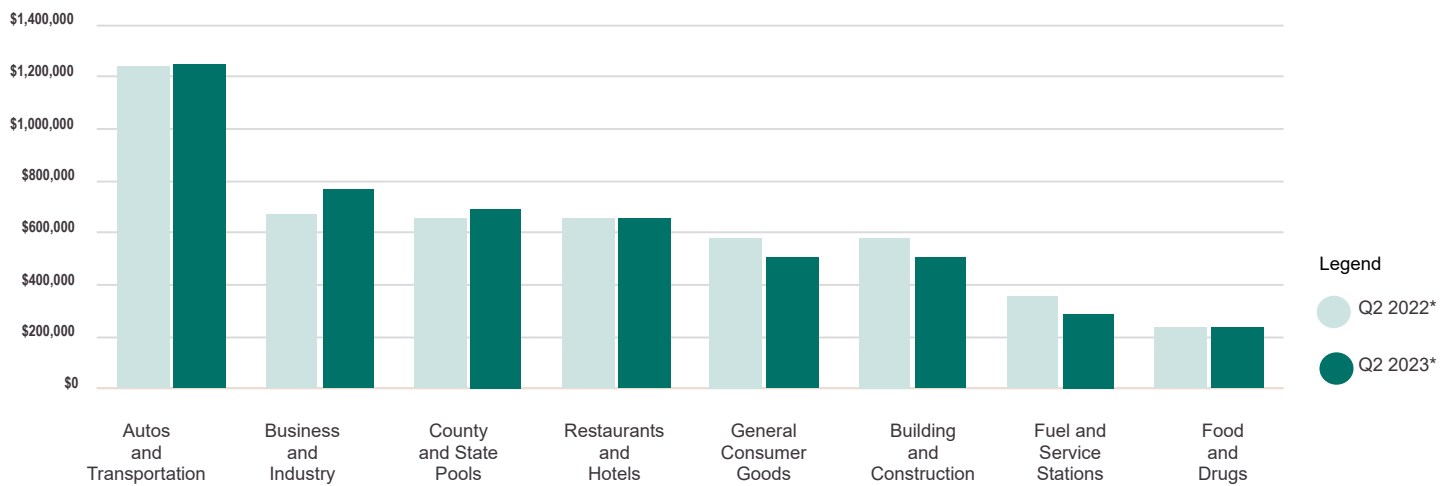
-2.9%

STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure T

TOTAL: \$4,997,380

↓ -5.6%



CITY OF REDLANDS HIGHLIGHTS

Redlands' receipts from April through June were 2.9% above the second sales period in 2022. Excluding reporting aberrations, actual sales were down 1.6%.

The City experienced the largest decrease in buildings and construction, including building materials and contractors.

The fuel and service stations group realized record prices, including regular pump, diesel, jet fuel, and oil barrel one year ago, and the associated sales tax in this quarter dropped significantly in comparison, consistent with the forecast. Results from sporting goods, home furnishings, light industrial/printers, liquor stores, and casual dining were also down.

Receipts from fulfillment centers, medical/biotech, new motor vehicle dealers, automotive supply, grocery stores, leisure/entertainment, quick service restaurants and the state and county pools all increased. When combined they all partially offset the overall quarterly loss.

The City's Transaction and Use Tax Measure T generated 102.1% of the Bradley Burns amount, led by solid performance from general consumer goods.

Net of aberrations, taxable sales for all of San Bernardino County declined 5.9% over the comparable time period; the Southern California region was down 3.0%.



TOP 25 PRODUCERS

- | | |
|----------------------------|----------------------------------|
| Albertsons | McDonald's |
| Amazon Com Services | Metro Nissan of Redlands |
| Amazon MFA | Raising Cane's |
| Circle K | Redlands Chrysler Jeep Dodge Ram |
| Citrus Arco | Select Comfort |
| Dr Martens Airwair USA | Shell |
| Enterprise Rent A Car | Stater Bros |
| Hatfield Buick & GMC Truck | Tom Bell Chevrolet |
| Home Depot | Tom Bell Toyota |
| HYR Powersports | Vector Steel |
| Ken Grody Ford Redlands | Walmart |
| L & W Supply | |
| Lowe's | |
| Marshalls | |



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

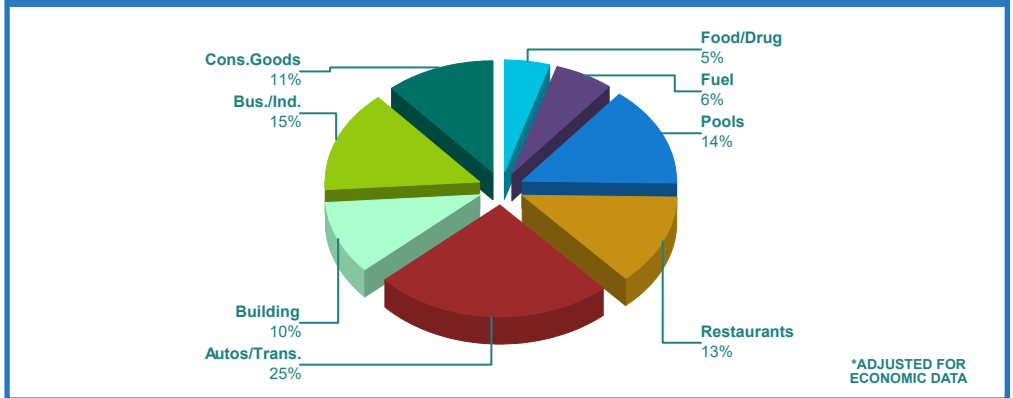
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

REVENUE BY BUSINESS GROUP
Redlands This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Redlands Business Type	Q2 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	994.5	1.6% ↑	4.2% ↑	-0.3% ↓
Fulfillment Centers	563.5	20.0% ↑	-11.2% ↓	14.7% ↑
Building Materials	419.4	-12.2% ↓	-13.0% ↓	-8.0% ↓
Service Stations	286.6	-18.6% ↓	-21.2% ↓	-19.9% ↓
Casual Dining	281.4	-0.6% ↓	2.7% ↑	4.6% ↑
Quick-Service Restaurants	263.8	0.9% ↑	3.0% ↑	3.2% ↑
Grocery Stores	179.8	5.1% ↑	-0.9% ↓	2.9% ↑
Family Apparel	79.8	-1.8% ↓	-1.3% ↓	-1.0% ↓
Contractors	76.9	-19.5% ↓	2.3% ↑	-2.9% ↓
Specialty Stores	75.6	-2.9% ↓	-3.5% ↓	-1.3% ↓

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars