

Q1 2020



City of Redlands Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Redlands In Brief

Redlands' receipts from January through March were 32.7% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 9.1%.

Deferred payments from businesses taking advantage of the State's 90-day filing extension and delayed allocations from some large businesses were the main causes of the variance between cash and actual sales. A large multi-year negative adjustment in the county pool that offset continued pool growth as a result of the Wayfair decision, also contributed to the sharp decline in cash receipts.

Covid-19 restrictions impacted sales in many business groups. The automotive group had the largest impact as new car sales declined 18.9%. A 40.7% decline in business and industry was exaggerated by a onetime payment that inflated prior year medical/biotech results. Most retail and dining categories were lower; general consumer goods were down 12.4%, while the restaurant group was off 13.9%

Positive sectors included building and construction (+7.6%), food and drugs (+24.1%) and the fuel group (+3.0%).

Net of aberrations, taxable sales for all of San Bernardino County declined 2.2% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	McDonalds
AutoZone	Metro Nissan of Redlands
Burlington	Redlands Chrysler Jeep Dodge Ram
Calply	Redlands Shell
Circle K	Stater Bros
Citrus Arco	Tom Bell Chevrolet
CVS Pharmacy	Tom Bell Toyota
Hatfield Buick & GMC Truck	Toyota Lease Trust
Home Depot	USA Gasoline
HYR Powersports	Valero
Ken Grody Ford Redlands	Vector Steel
Lowes	Walmart
Marshalls	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$9,697,291	\$8,402,674
County Pool	1,276,145	1,038,911
State Pool	5,006	4,422
Gross Receipts	\$10,978,443	\$9,446,006

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

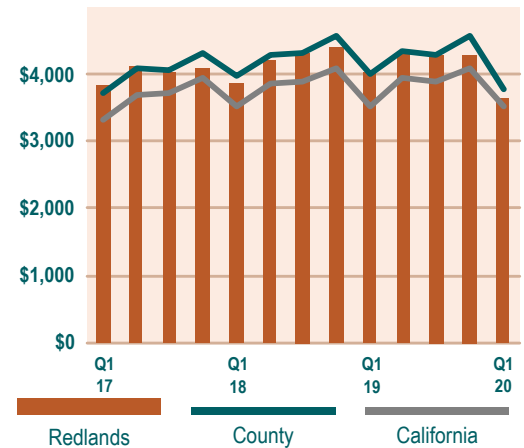
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

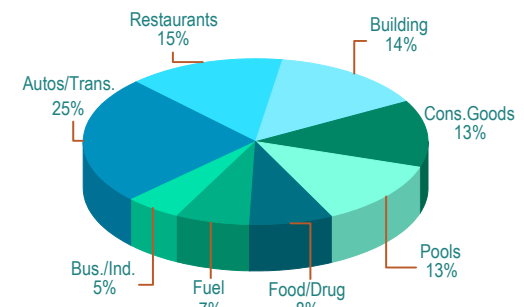
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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 Q1 '20*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	40.5	-7.5%	-8.8%	-7.5%
Automotive Supply Stores	58.9	-13.6%	-10.2%	-9.5%
Building Materials	342.8	6.6%	4.0%	3.0%
Casual Dining	157.7	-17.8%	-17.8%	-18.8%
Contractors	74.0	12.8%	17.8%	3.1%
Discount Dept Stores	—	CONFIDENTIAL	1.8%	3.2%
Drug Stores	62.9	93.2%	12.0%	3.4%
Family Apparel	57.7	-19.1%	-23.2%	-21.1%
Fast-Casual Restaurants	44.3	-27.1%	-7.9%	-10.0%
Grocery Stores	151.7	16.2%	11.0%	11.8%
Medical/Biotech	34.8	-64.6%	8.2%	-1.8%
New Motor Vehicle Dealers	545.4	-18.9%	-12.9%	-10.6%
Quick-Service Restaurants	194.1	-6.3%	-4.3%	-8.5%
Service Stations	202.2	3.0%	-8.1%	-9.5%
Specialty Stores	57.1	-4.8%	-13.7%	-10.1%
Total All Accounts	2,571.3	-9.9%	-5.3%	-7.3%
County & State Pool Allocation	372.1	-3.2%	22.1%	22.4%
Gross Receipts	2,943.4	-9.1%	-2.2%	-3.0%

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