

Q2 2020



City of Redlands Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Redlands In Brief

Redlands's receipts from April through June were 12.4% above the second sales period in 2019. Excluding reporting aberrations, actual sales were down 2.4%.

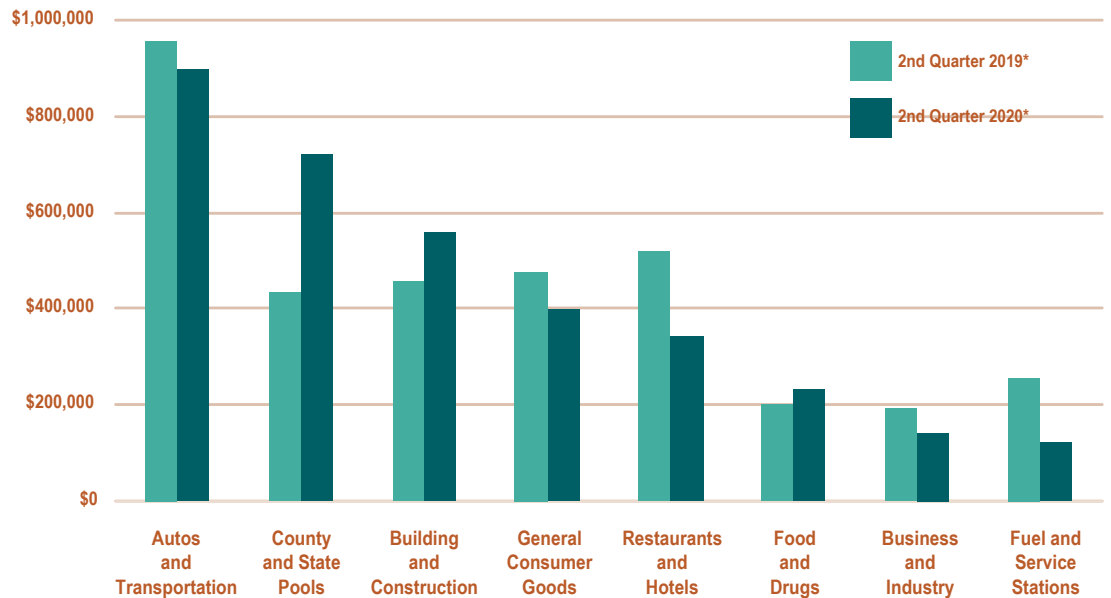
Double payments from businesses that had missing/partial payments in 1Q20 was the main cause of the variance between cash receipts and actual sales. Actual sales in most industry groups declined due to Covid-19 impacts, although losses were less than expected and again largely offset by continued robust growth from the countywide use tax pool resulting from the Wayfair decision that required additional out of state companies to collect sales tax. The City's allocation from the county pool increased 73.9%.

Locally, the restaurant group took the largest hit in actual sales, dropping 34.3% as all dining categories were lower. Fuel sales were down 52.8%, while business and industry sales declined 26.8%. General retail sales lost 16.8%, while the automotive group dipped 6.3%.

A 12.6% increase in building material sales and a couple of misallocated payments boosted building and construction 22.2%. Grocery store sales were up 22.3%.

Net of aberrations, taxable sales for all of San Bernardino County declined 9.6% over the comparable time period; the Southern California region was down 18.0%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACH Mechanical Contractors	Home Depot
Albertsons	HYR Powersports
AutoZone	Ken Grody Ford Redlands
Calply	Lowes
Circle K	McDonalds
Citrus Arco	Metro Nissan of Redlands
Dal Tile Distribution	Redlands Chrysler Jeep Dodge Ram
Dons Bicycle Store	Stater Bros
Enterprise Rent A Car	Tom Bell Chevrolet
Food 4 Less	Tom Bell Toyota
Goodman Distribution	Valero
Hatfield Buick & GMC Truck	Vector Steel
	Walmart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$12,768,889	\$11,592,599
County Pool	1,703,757	1,782,481
State Pool	6,318	5,672
Gross Receipts	\$14,478,964	\$13,380,753

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

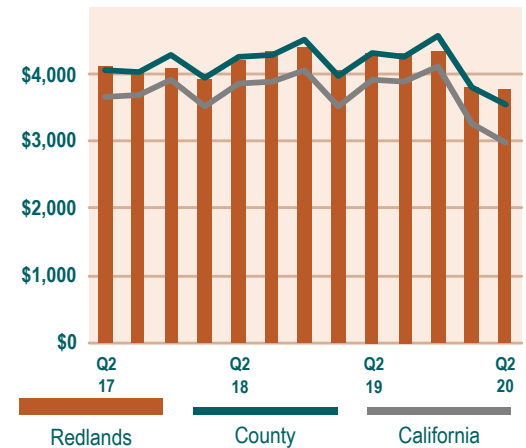
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

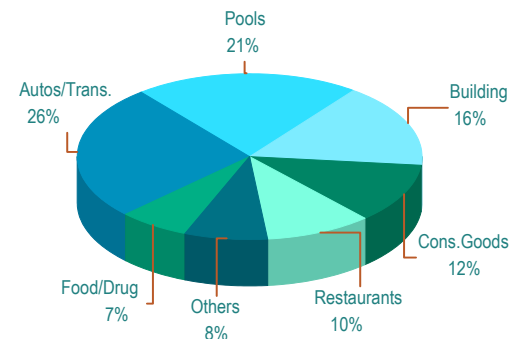
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

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 Q2 '20*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	38.2	-17.6%	-18.6%	-28.2%
Automotive Supply Stores	61.2	-2.1%	0.6%	-4.7%
Building Materials	420.4	12.6%	14.4%	7.0%
Casual Dining	103.9	-47.5%	-46.4%	-53.2%
Contractors	130.3	77.1%	-8.1%	-12.7%
Discount Dept Stores	—	CONFIDENTIAL	-0.3%	-6.3%
Drug Stores	32.6	-0.2%	13.9%	0.1%
Fast-Casual Restaurants	43.2	-28.6%	-14.5%	-30.2%
Grocery Stores	172.2	22.3%	15.8%	7.8%
Medical/Biotech	33.1	-28.0%	-13.2%	-15.2%
New Motor Vehicle Dealers	705.1	-6.6%	-10.5%	-15.8%
Quick-Service Restaurants	185.6	-14.5%	-7.2%	-22.0%
Service Stations	120.2	-52.8%	-42.8%	-45.2%
Specialty Stores	53.4	-17.9%	-36.0%	-36.2%
Sporting Goods/Bike Stores	50.7	40.6%	-6.6%	-11.0%
Total All Accounts	2,689.3	-12.2%	-17.5%	-24.0%
County & State Pool Allocation	722.2	67.2%	46.7%	28.9%
Gross Receipts	3,411.5	-2.4%	-9.6%	-16.3%

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