CITY OF REDLANDS
SALES TAX UPDATE
3Q 2020 (JULY - SEPTEMBER)

Redlands’ receipts from July through September were 10.1% above the third sales period in 2019. Excluding reporting aberrations, actual sales were up 7.7%.

While COVID-19 continued to strike the state and most local economies, the City experienced overall growth mainly attributable to stellar performance in the countywide use tax pool and a boost in building and improvements, including building materials and contractors, which exceeded state and county trends for the fifth consecutive quarter.

Returns from new motor vehicles, grocery stores, sporting goods, light industrial printers, specialty stores, and quick service restaurants also countered the overall countywide decline.

A reduction in consumption and demand for fuel pushed service station receipts down, and casual and fast casual dining and medical/biotech establishments were also hit hard, which combined to offset the overall gain.

Net of aberrations, taxable sales for all of San Bernardino County grew 7.6% over the comparable time period; the Southern California region was down 1.5%.

ACH Mechanical Contractors
Albertsons
Burlington
Calply
Circle K
Citrus Arco
Enterprise Rent A Car
Goodman Distribution
Hatfield Buick & GMC Truck
Home Depot
HYR Powersports
Ken Grody Ford
Redlands Lowes
Marshalls
McDonalds
Metro Nissan of Redlands
Redlands Chrysler Jeep Dodge Ram
Redlands Shell
Stater Bros
Tom Bell Chevrolet
Tom Bell Toyota
USA Gasoline
Valero
Vector Steel
Walmart

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**STATEWIDE RESULTS**

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter’s overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV’s, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period’s deep decline, new coronavirus surges and reinstated restrictions from 2020’s Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter’s gains in county pool receipts that were generated by the shift to online shopping plus last year’s implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up of each jurisdiction’s tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

**REVENUE BY BUSINESS GROUP**

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Q3 '20*</th>
<th>Change</th>
<th>County Change</th>
<th>HdL State Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Motor Vehicle Dealers</td>
<td>818.4</td>
<td>5.1%</td>
<td>4.2%</td>
<td>5.8%</td>
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<tr>
<td>Building Materials</td>
<td>459.5</td>
<td>21.1%</td>
<td>27.1%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Quick-Service Restaurants</td>
<td>230.6</td>
<td>9.9%</td>
<td>8.8%</td>
<td>-10.3%</td>
</tr>
<tr>
<td>Service Stations</td>
<td>184.6</td>
<td>-24.1%</td>
<td>-23.3%</td>
<td>-29.0%</td>
</tr>
<tr>
<td>Grocery Stores</td>
<td>163.7</td>
<td>19.3%</td>
<td>13.7%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Casual Dining</td>
<td>105.9</td>
<td>-44.9%</td>
<td>-32.2%</td>
<td>-38.0%</td>
</tr>
<tr>
<td>Contractors</td>
<td>100.7</td>
<td>19.6%</td>
<td>-3.9%</td>
<td>-5.7%</td>
</tr>
<tr>
<td>Automotive Supply Stores</td>
<td>67.8</td>
<td>1.7%</td>
<td>10.7%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Specialty Stores</td>
<td>66.5</td>
<td>3.9%</td>
<td>2.2%</td>
<td>-8.7%</td>
</tr>
<tr>
<td>Family Apparel</td>
<td>64.9</td>
<td>-13.0%</td>
<td>-17.0%</td>
<td>-24.4%</td>
</tr>
</tbody>
</table>

*Allocation aberrations have been adjusted to reflect sales activity  *In thousands of dollars

**TOP NON-CONFIDENTIAL BUSINESS TYPES**