Redlands In Brief

Redlands’ receipts from October through December sales were 4.6% above 2015’s fourth quarter results.

Most major industry groups showed sales increases over the comparison period. New motor vehicle dealer and auto parts sales boosted autos and transportation totals. Comparisons for multiple business classifications in the business and industry category were up. Building and construction, food and drugs and fuel and service station gains were more modest.

Restaurant and hotel proceeds were down on a cash receipts basis but the decline was caused by retroactive accounting adjustments, not lagging sales. Net of payment aberrations, this business sector had stronger sales than in the year-ago quarter.

General consumer goods, the City’s second largest retail segment, was down. Slack sales in the family apparel and sporting goods groups caused most of the drop.

Net of aberrations, taxable sales for all of San Bernardino County grew 1.4% over the year ago quarter; the Southern California region was up 1.4%.

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point of Sale</td>
<td>$8,474,019</td>
<td>$8,584,179</td>
</tr>
<tr>
<td>County Pool</td>
<td>971,341</td>
<td>1,053,271</td>
</tr>
<tr>
<td>State Pool</td>
<td>9,049</td>
<td>4,856</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$9,454,409</td>
<td>$9,642,306</td>
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<tr>
<td>Less Triple Flip*</td>
<td>$(2,363,602)</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Reimbursed from county compensation fund

### SALES TAX BY MAJOR BUSINESS GROUP

<table>
<thead>
<tr>
<th>Business Category</th>
<th>4th Quarter 2015</th>
<th>4th Quarter 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autos and Transportation</td>
<td>$800,000</td>
<td>$800,000</td>
</tr>
<tr>
<td>General Consumer Goods</td>
<td>$600,000</td>
<td>$600,000</td>
</tr>
<tr>
<td>Restaurants and Hotels</td>
<td>$400,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>County and State Pools</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Business and Industry</td>
<td>$800,000</td>
<td>$800,000</td>
</tr>
<tr>
<td>Food and Drugs</td>
<td>$600,000</td>
<td>$600,000</td>
</tr>
<tr>
<td>Fuel and Service Stations</td>
<td>$400,000</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

### TOP 25 PRODUCERS

In Alphabetical Order

1. ABI Document Support Services
2. BD Microbiology System
3. Burlington Coat Factory
4. Buy Buy Baby
5. Cal Wholesale Material Supply
6. Circle K
7. Citrus Arco
8. CVS Pharmacy
9. ESRI Systems
10. Hatfield Buick & GMC Truck
11. Home Depot
12. Knmart
13. Lowes
14. Marshalls
15. McDonalds
16. Metro Nissan of Redlands
17. Redlands Chrysler Jeep Dodge Ram
18. Redlands Ford
19. Shell
20. Stater Bros
21. Tom Bell Chevrolet
22. Tom Bell Toyota
23. USA Gasoline
24. Vector Steel
25. Walmart
Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations. The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.