Redlands

In Brief

Redlands’s receipts from October through December were 3.7% above the fourth sales period in 2018. Excluding aberrations, actual sales were down 0.5%.

The City’s allocation from the countywide use tax pool increased 21.6% during the quarter. Statewide, pool results accounted for 95% of all sales tax growth, boosted by sharply higher receipts from online shopping as a result of the Wayfair decision and implementation of the marketplace facilitator provision that required additional out of state companies to collect sales tax. The City’s point of sale actual results were down 3.5%.

The largest drop in local actual sales was a 10.1% decline in new auto sales. The prior closeout of a retail outlet and large drops from sporting goods, specialty and electronics stores depressed general consumer goods 7.4%. Lower sales from light industrial, business services, and furnishings sank business an industry 13.0%. Restaurant sales were down 0.5%.

Bright spots included a 22.9% increase in contractors’ supplies and a 42.1% spike in medical/biotech.

Net of aberrations, taxable sales for all of San Bernardino County grew 3.3% over the comparable time period; the Southern California region was up 4.4%.

Sales Tax by Major Business Group

<table>
<thead>
<tr>
<th>Category</th>
<th>4th Quarter 2018*</th>
<th>4th Quarter 2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autos and Transportation</td>
<td>$7,062,069</td>
<td>$7,435,110</td>
</tr>
<tr>
<td>General Consumer Goods</td>
<td>$2,692</td>
<td>$3,262</td>
</tr>
<tr>
<td>County and State Pools</td>
<td>$888,822</td>
<td>$984,322</td>
</tr>
<tr>
<td>Restaurants and Hotels</td>
<td>$201,919</td>
<td>$201,919</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>$201,919</td>
<td>$201,919</td>
</tr>
<tr>
<td>Fuel and Service Stations</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Food and Drugs</td>
<td>$400,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Business and Industry</td>
<td>$201,919</td>
<td>$201,919</td>
</tr>
</tbody>
</table>

*Allocation aberrations have been adjusted to reflect sales activity

Top 25 Producers

ACH Mechanical Contractors
Albertsons
Altec Industries
Burlington
Calply
Circle K
Citrus Arco
CVS Pharmacy
Hatfield Buick & GMC Truck
Home Depot
HYR Powersports
Ken Grody Ford
Layne Water Mgmt/Drilling
Lowes
Marshalls
McDonalds
Metro Nissan of Redlands
Redlands Chrysler
Redlands Shell
Stater Bros
Tom Bell Chevrolet
Tom Bell Toyota
USA Gasoline
Vector Steel
Walmart

Revenue Comparison

Two Quarters – Fiscal Year To Date (Q3 to Q4)

<table>
<thead>
<tr>
<th>Category</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$6,574,527</td>
<td>$6,170,554</td>
</tr>
<tr>
<td>County Pool</td>
<td>857,322</td>
<td>888,822</td>
</tr>
<tr>
<td>State Pool</td>
<td>3,262</td>
<td>2,692</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$7,435,110</td>
<td>$7,062,069</td>
</tr>
</tbody>
</table>
California Overall
Statewide sales and use tax receipts from 2019’s fourth quarter were 4.2% higher than last year’s holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California’s implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly $2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

Covid-19
The coronavirus impact will first be seen in next quarter’s data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus’s disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state’s high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

Assuming that the virus is largest contained by the end of September, HdL’s economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.