

# Q3 2016



# City of Redlands Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

## Redlands In Brief

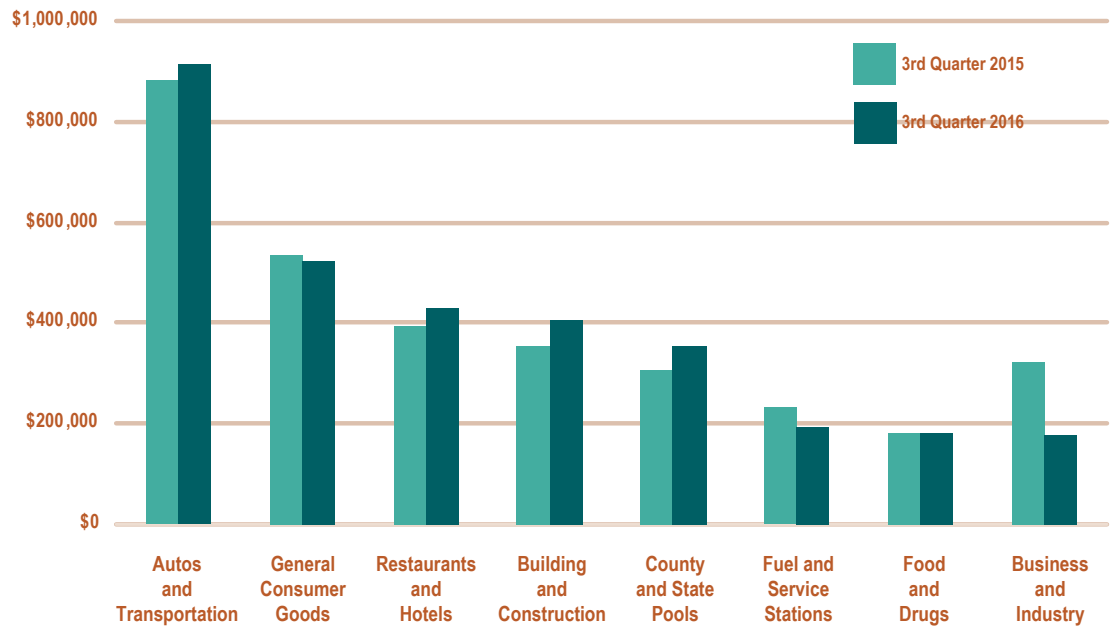
Redlands' allocation of sales and use tax from its July through September sales was 0.9% lower than the same quarter of 2015. However, actual sales activity was up 3.6% after accounting anomalies are factored out.

Declining fuel prices and reporting aberrations within the business-industrial and general consumer goods groups were the primary factors responsible for the decline in cash receipts.

A combination of new additions and solid sales helped produce gains in actual sales activity within the building-construction and restaurant groups. A rise in the countywide use tax allocation pool of which the City receives a 3.4% share, also contributed to the actual increase.

Adjusted for aberrations, sales and use tax receipts for all of San Bernardino County grew 0.8% over the comparable time period while Southern California as a whole, was up 1.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABI Document Support Services	Lowes
Albertsons	Marshalls
BD Microbiology System	McDonalds
Burlington Coat Factory	Metro Nissan
Cal Wholesale Material Supply	Redlands Chrysler Jeep Dodge Ram
Circle K	Redlands Ford
Citrus Arco	Ross
ESRI Systems	Shell
Hatfield Buick & GMC Truck	Stater Bros
Home Depot	Tom Bell Chevrolet
Kmart	Tom Bell Toyota
	USA Gasoline
	Vector Steel
	Walmart

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$5,705,375	\$5,692,230
County Pool	632,296	692,340
State Pool	2,867	1,940
<b>Gross Receipts</b>	<b>\$6,340,538</b>	<b>\$6,386,510</b>
Less Triple Flip*	\$(1,585,134)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

**The Year Ahead**

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

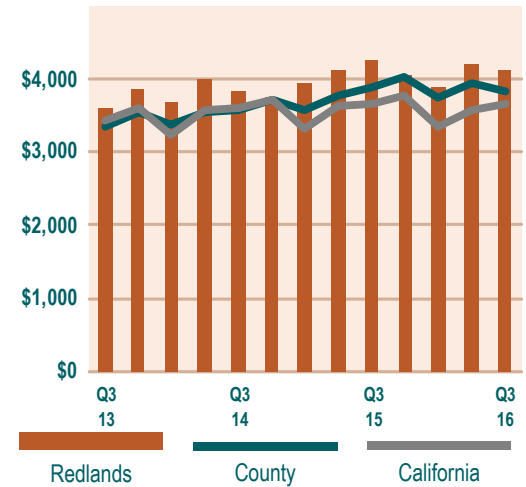
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

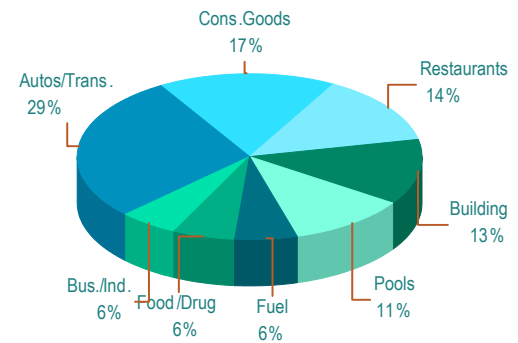
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Redlands This Quarter



**REDLANDS TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Redlands Q3 '16*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	43.9	18.8%	6.1%	4.5%
Automotive Supply Stores	63.6	20.4%	9.4%	3.8%
Casual Dining	156.1	4.1%	5.9%	4.3%
Contractors	50.2	-15.2%	-15.7%	1.4%
Discount Dept Stores	— CONFIDENTIAL —		-1.7%	-0.4%
Family Apparel	108.2	-16.1%	8.1%	5.9%
Fast-Casual Restaurants	48.1	28.0%	5.7%	4.6%
Grocery Stores	128.7	-2.6%	-8.1%	-2.1%
Light Industrial/Printers	38.4	12.0%	4.5%	-1.3%
Lumber/Building Materials	340.6	19.7%	7.5%	6.9%
New Motor Vehicle Dealers	738.7	1.2%	6.0%	4.8%
Quick-Service Restaurants	195.6	7.4%	14.0%	8.9%
Service Stations	190.8	-17.8%	-12.7%	-13.8%
Specialty Stores	56.4	-10.0%	3.5%	2.2%
Sporting Goods/Bike Stores	43.3	63.0%	0.8%	-0.6%
<b>Total All Accounts</b>	<b>2,824.3</b>	<b>-2.5%</b>	<b>-0.3%</b>	<b>0.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>353.0</b>	<b>14.9%</b>	<b>17.4%</b>	<b>11.5%</b>
<b>Gross Receipts</b>	<b>3,177.3</b>	<b>-0.9%</b>	<b>1.4%</b>	<b>2.2%</b>