

Q1 2015



City of Redlands Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

Redlands In Brief

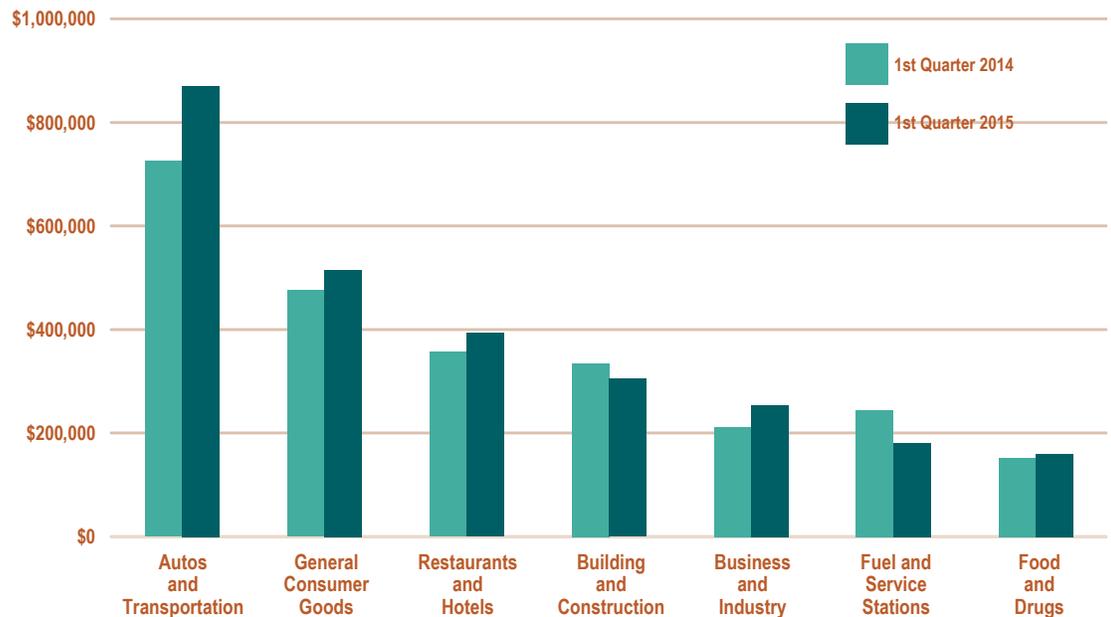
Receipts for Redlands' January through March sales were 7.9% above 2014's first quarter. Excluding reporting aberrations actual sales were up 4.5%.

Sales of new motor vehicles accounted for over half the overall quarterly gain. The business and industry group also showed strong increases but retroactive payment adjustments inflated the comparison; net of anomalies, business and industry proceeds declined. New business openings added to restaurant and hotel results and helped the group outpace regional trends. General consumer goods also bested regional sales gains.

Lower prices at the pump pared fuel and service station totals despite indications that usage increased. A reporting aberration that temporarily exaggerated year-ago proceeds caused the drop in the building and construction group.

Net of aberrations, taxable sales for all of San Bernardino County grew 5.6% over the comparable time period; the Southern California region was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

BD Microbiology System	Marshalls
Burlington Coat Factory	McDonalds
Cal Wholesale Material Supply	Metro Nissan of Redlands
Circle K	Office Depot
Citrus Arco	Redlands Automotive Sales
Crown Lift Trucks	Redlands Ford
Emerson Ecologics	Redlands Shell
ESRI Systems	Ross
Hatfield Buick & GMC Truck	Stater Bros
Home Depot	Tesoro Refining & Marketing
K Mart	Tom Bell Chevrolet
Lowes	Tom Bell Toyota
	Walmart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$9,990,761	\$10,533,599
County Pool	1,101,574	1,225,921
State Pool	6,691	6,651
Gross Receipts	\$11,099,026	\$11,766,171
Less Triple Flip*	\$(2,774,756)	\$(2,941,543)

*Reimbursed from county compensation fund

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

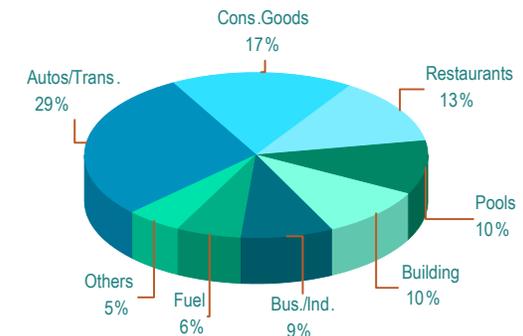
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Redlands This Quarter



REDLANDS TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Redlands Q1 '15*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	40.7	10.0%	10.6%	7.1%
Automotive Supply Stores	58.4	0.9%	9.6%	5.3%
Business Services	46.4	-6.3%	21.4%	25.5%
Casual Dining	144.2	4.6%	5.5%	6.1%
Contractors	79.0	25.9%	25.1%	15.4%
Discount Dept Stores	— CONFIDENTIAL —		3.9%	4.2%
Family Apparel	98.2	13.4%	12.2%	9.8%
Fast-Casual Restaurants	40.9	14.1%	14.2%	12.6%
Grocery Stores Liquor	94.7	3.0%	11.7%	5.0%
Lumber/Building Materials	219.1	-16.5%	-8.8%	-3.1%
Medical/Biotech	96.7	262.9%	21.4%	5.6%
New Motor Vehicle Dealers	704.3	22.4%	15.7%	11.1%
Quick-Service Restaurants	171.6	12.9%	11.3%	10.5%
Service Stations	180.5	-26.0%	-17.1%	-21.9%
Specialty Stores	53.6	7.3%	15.1%	9.4%
Total All Accounts	\$2,680.2	7.2%	6.8%	3.6%
County & State Pool Allocation	\$310.9	14.1%	13.6%	1.1%
Gross Receipts	\$2,991.2	7.9%	7.5%	3.3%