

Q2 2015



City of Redlands Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Redlands In Brief

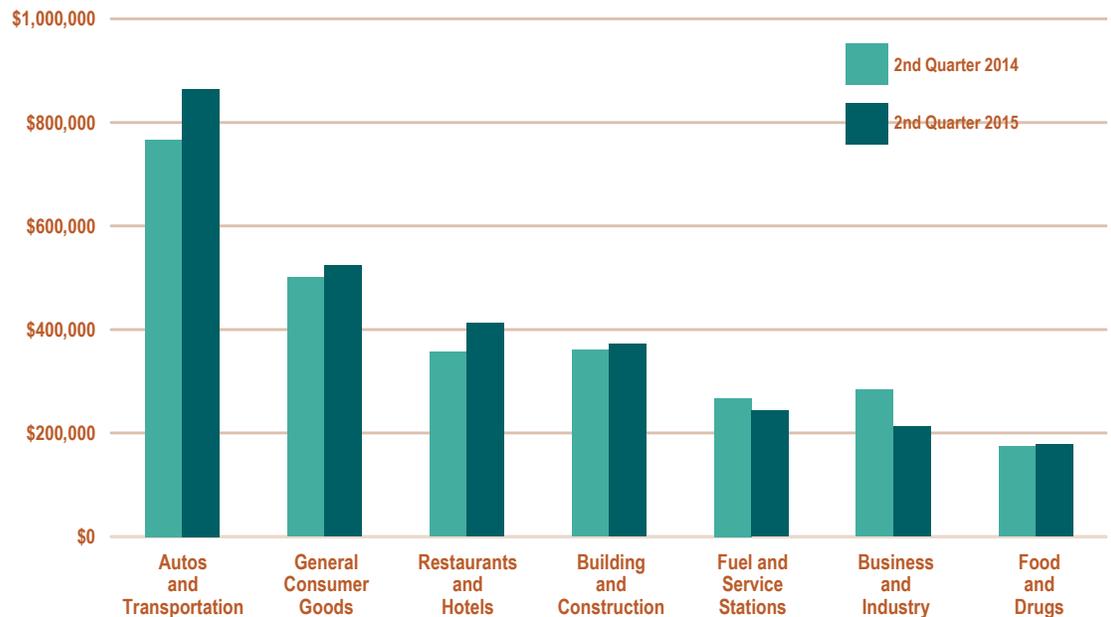
The allocation of sales and use taxes for Redlands' April through June sales was 4.2% higher than the same quarter one year ago. Excluding reporting aberrations, actual sales increased 5.8%.

The city experienced strong sales from contractor supplies and some categories within the automotive group, including new car dealers. Reporting errors inflated postings from family apparel and specialty stores while payment anomalies skewed comparisons for casual dining. A new outlet helped fast casual eateries.

Business and industry group comparisons were depressed by an adjustment that spiked last year's returns from the medical/biotech sector. Group totals were actually up 6.6%. Accounting events that affected both periods pared results from lumber-building materials but understated the impact of lower fuel prices on service station receipts.

Net of anomalies, taxable sales for all of San Bernardino County grew 6.2% over the same time period; Southern California regional totals were 3.2% higher.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lowes
BD Microbiology System	Marshalls
Burlington Coat Factory	Metro Nissan of Redlands
Cal Wholesale Material Supply	Redlands Automotive Sales
Circle K	Redlands Ford
Citrus Arco	Redlands Shell
Emerson Ecologics	Stater Bros
ESRI Systems	Tesoro Refining & Marketing
Hatfield Buick & GMC Truck	TJ Maxx
Home Depot	Tom Bell Chevrolet
K Mart	Tom Bell Toyota
Layne Christensen	Vulcraft Division
	Walmart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$2,709,910	\$2,808,045
County Pool	296,412	325,549
State Pool	2,043	2,334
Gross Receipts	\$3,008,365	\$3,135,928
Less Triple Flip*	\$(752,091)	\$(783,982)

*Reimbursed from county compensation fund

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

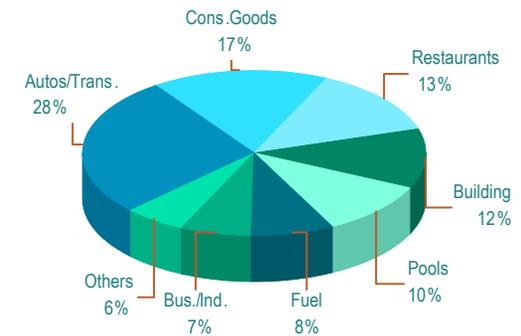
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Redlands This Quarter



REDLANDS TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Redlands Q2 '15*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	38.3	12.2%	12.5%	7.2%
Automotive Supply Stores	58.3	5.6%	8.5%	5.5%
Business Services	51.1	20.7%	14.6%	4.1%
Casual Dining	154.2	19.3%	9.3%	6.5%
Contractors	106.4	20.0%	2.6%	8.5%
Discount Dept Stores	— CONFIDENTIAL —		0.2%	0.0%
Family Apparel	122.6	31.5%	8.3%	2.9%
Fast-Casual Restaurants	38.1	8.6%	15.2%	10.1%
Grocery Stores Liquor	109.8	0.6%	0.7%	3.4%
Lumber/Building Materials	254.3	-2.1%	0.4%	4.5%
Medical/Biotech	72.3	-17.8%	5.9%	-3.0%
New Motor Vehicle Dealers	687.2	11.8%	13.7%	9.3%
Quick-Service Restaurants	176.9	8.9%	10.4%	9.1%
Service Stations	243.6	-9.0%	-7.6%	-11.7%
Specialty Stores	63.1	9.5%	-0.4%	5.4%
Total All Accounts	2,808.0	3.6%	7.6%	2.8%
County & State Pool Allocation	327.9	9.9%	14.1%	11.8%
Gross Receipts	3,135.9	4.2%	8.3%	3.8%