

Q4 2015



City of Redlands Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Redlands In Brief

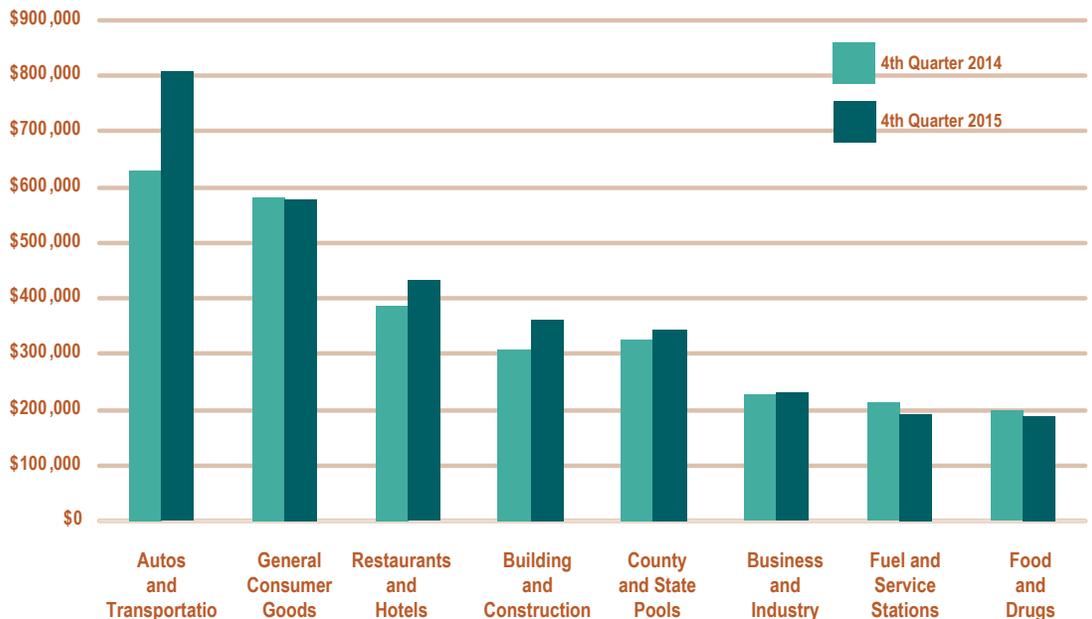
Receipts for Redlands' October through December sales were 8.5% higher than the same quarter one year ago. Excluding accounting aberrations, actual sales increased 4.7%.

A delayed posting that cut year-ago receipts overstated gains from new car dealers; actual sales were up 10.8%, besting both county and state averages. The City also experienced solid sales from both the building-construction and restaurant groups, although increases from the latter were inflated by a reporting error and a double payment in the fast casual category and payment anomalies that affected accounts in the casual dining and quick service classifications. Accounting events that affected the medical/biotech, office supplies/furniture, and both light and heavy industrial sectors skewed business-industry group comparisons.

Lower prices at the pump pared service station receipts while reporting problems understated the impact of a business closeout on general consumer goods. Food and drugs group results were depressed by adjustments that boosted last year's returns.

Adjusted for onetime reporting events, taxable sales for all of San Bernardino County rose 7.2% over the same period; the Southern California region as a whole was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	McDonalds
Burlington Coat Factory	Metro Nissan of Redlands
Cal Wholesale Material Supply	Redlands Automotive Sales
Circle K	Redlands Ford
Citrus Arco	Ross
Emerson Ecologics	Shell
ESRI Systems	Stater Bros
Hatfield Buick & GMC Truck	Tesoro Refining & Marketing
Home Depot	Tom Bell Chevrolet
Kmart	Tom Bell Toyota
Layne	Universal Hospital Services
Lowes	Walmart
Marshalls	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$7,853,358	\$8,474,019
County Pool	915,036	971,341
State Pool	6,598	9,049
Gross Receipts	\$8,774,992	\$9,454,409
Less Triple Flip*	\$(2,193,748)	\$(2,363,602)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

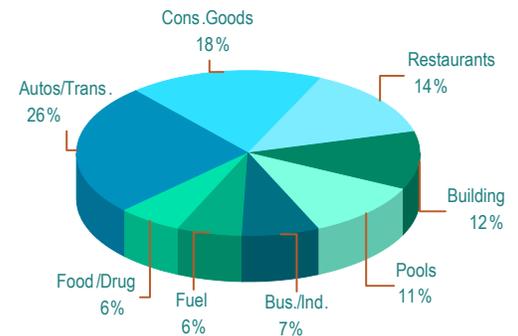
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Redlands This Quarter



REDLANDS TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Redlands Q4 '15*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	38.0	1.7%	-3.8%	5.7%
Automotive Supply Stores	56.7	8.3%	6.8%	5.2%
Business Services	42.7	-0.9%	-3.1%	15.5%
Casual Dining	158.8	8.9%	4.7%	5.9%
Contractors	53.6	15.5%	11.8%	11.1%
Discount Dept Stores	— CONFIDENTIAL —		3.7%	3.0%
Family Apparel	116.5	6.5%	-5.1%	4.0%
Fast-Casual Restaurants	47.2	19.4%	8.5%	6.7%
Grocery Stores Liquor	119.3	5.9%	3.2%	0.6%
Lumber/Building Materials	298.3	19.2%	13.1%	10.0%
Medical/Biotech	82.1	56.5%	19.9%	-4.4%
New Motor Vehicle Dealers	641.9	30.0%	9.2%	7.9%
Quick-Service Restaurants	192.9	15.4%	8.5%	8.0%
Service Stations	190.0	-10.2%	-9.3%	-10.5%
Specialty Stores	60.8	-2.2%	6.4%	4.4%
Total All Accounts	2,768.6	8.9%	9.3%	2.4%
County & State Pool Allocation	345.2	5.6%	6.0%	10.8%
Gross Receipts	3,113.9	8.5%	8.9%	3.5%