

Q2 2017



City of Redlands Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Redlands In Brief

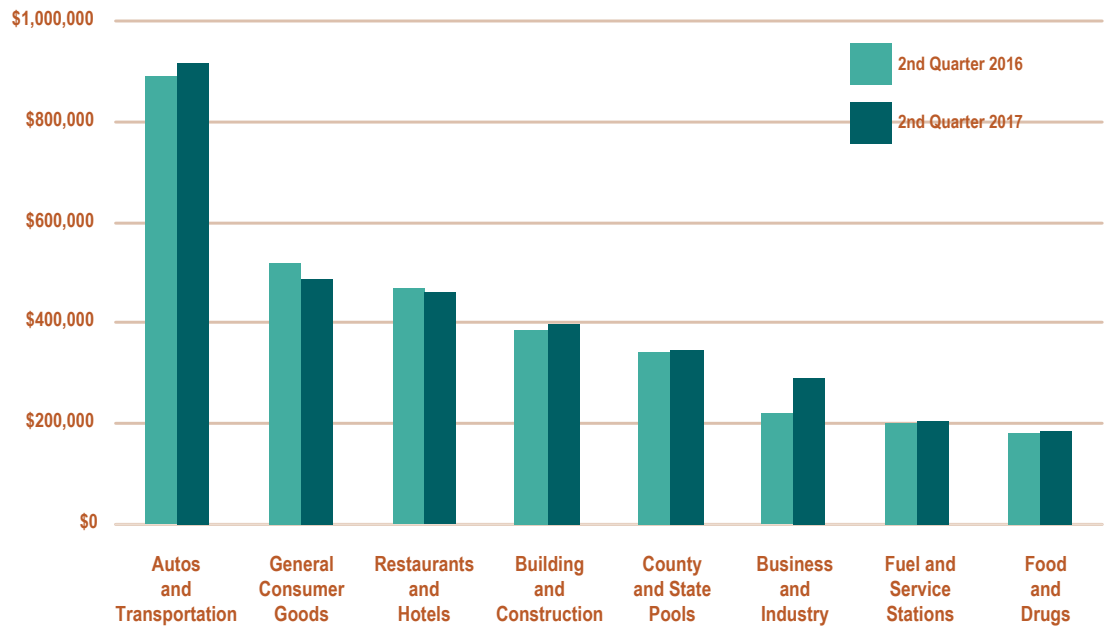
Redlands' receipts for April through June sales were 2.5% higher than the same quarter one year ago. Actual sales increased 5.7% net of accounting aberrations.

Automotive group gains from sales at new car dealers and auto repair shops were partially offset by adjustments that cut results from auto leasing accounts. One-time allocations hiked receipts from business services and electrical equipment. A recovery garnered by the City's ongoing point of sale audit program buoyed proceeds from contractor supplies. Accounting events inflated results from quick-service eateries and light industrial/printers, but understated gains from service stations and the countywide use tax pool.

Misallocated payments and corrections that affected one or both quarters skewed comparisons for casual dining, quick-service restaurants and several categories of consumer goods. A retroactive adjustment cut current quarter cash receipts from building materials while a prior closeout contributed to specialty store losses.

Adjusted for reporting anomalies, taxable sales for all of San Bernardino County rose 4.3% over the same period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AT&T	Metro Nissan of Redlands
BD Microbiology System	Mountain View Services
Burlington Coat Factory	Raymond Accounts Management
Calply	Redlands Chrysler Jeep Dodge Ram
Circle K	Redlands Ford
Citrus Arco	Shell
ESRI Systems	Stater Bros
Hatfield Buick & GMC Truck	Tom Bell Chevrolet
Home Depot	Tom Bell Toyota
Kmart	Torrance Aluminum Window
Lowe's	USA Gasoline
Marshalls	Walmart
McDonald's	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,867,898	\$2,942,524
County Pool	340,351	346,847
State Pool	979	(1,513)
Gross Receipts	\$3,209,228	\$3,287,857
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

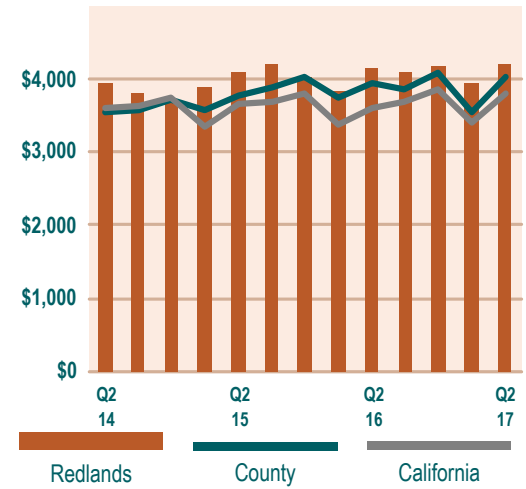
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

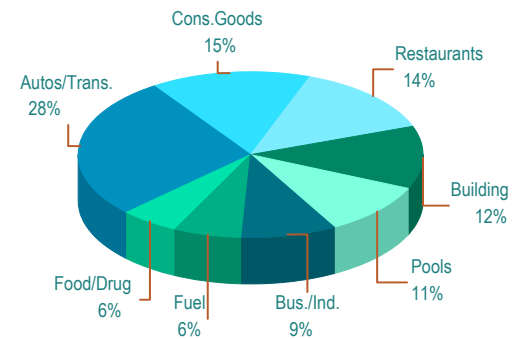
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Redlands This Quarter



REDLANDS TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Redlands Q2 '17*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	44.9	17.9%	9.0%	32.4%
Automotive Supply Stores	61.5	1.7%	2.9%	2.8%
Building Materials	311.0	-2.9%	8.7%	6.0%
Business Services	98.7	70.3%	1.3%	6.7%
Casual Dining	169.0	-2.0%	-0.1%	1.5%
Contractors	76.8	37.0%	16.2%	10.0%
Discount Dept Stores	— CONFIDENTIAL —		3.0%	3.2%
Family Apparel	— CONFIDENTIAL —		6.3%	4.0%
Grocery Stores	131.3	1.6%	1.7%	2.1%
Light Industrial/Printers	46.6	16.5%	5.9%	6.3%
Medical/Biotech	49.1	10.1%	-6.8%	7.4%
New Motor Vehicle Dealers	717.2	4.7%	3.0%	1.4%
Quick-Service Restaurants	219.4	6.7%	9.4%	6.0%
Service Stations	206.1	1.8%	7.8%	8.6%
Specialty Stores	55.4	-12.5%	-1.1%	1.6%
Total All Accounts	2,942.5	2.6%	3.1%	6.4%
County & State Pool Allocation	345.3	1.2%	1.7%	-9.9%
Gross Receipts	3,287.9	2.5%	3.0%	4.1%