

# Q3 2019



# City of Redlands Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

## Redlands In Brief

Redlands' sales activity from July through September was 1.2% greater than the third sales period in 2018. However, cash receipts for the same period were 13% less than at this time last year when late payments were being received following delays caused by the state's tax filing system.

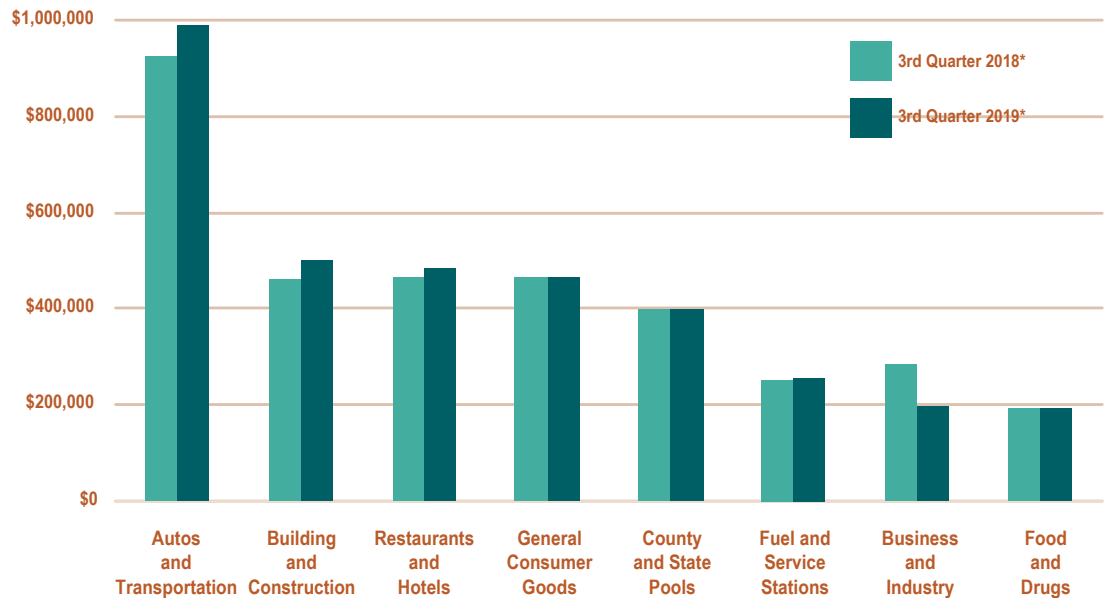
New car sales posted their largest gain of the past 4 quarters and construction spending was on the rise but nearly half of that increase came from a posting error.

Restaurant activity rose a healthy 4.4% aided by the prior opening of a new venue and the renovation of an existing venue.

Several onetime transactions coupled with other unusually high sales totals in the prior year negatively skewed this period's business/industry group results. Fuel sales were lackluster, reflecting what is being seen around much of the area.

Net of adjustments, taxable sales for all of San Bernardino County grew 1.7% over the comparable time period while those of the entire Southern California region were up 2.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lowes
ACH Mechanical Contractors	Marshalls
Burlington	McDonalds
Calply	Metro Nissan of Redlands
Circle K	Redlands Chrysler Jeep Dodge Ram
Citrus Arco	Redlands Ford
Cybertek Computer & Networking Services	Stater Bros
Goodman Distribution	Tom Bell Chevrolet
Hatfield Buick & GMC Truck	Tom Bell Toyota
Home Depot	USA Gasoline
HYR Powersports	Valero
Kmart	Vector Steel
	Walmart

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$3,413,953	\$2,985,960
County Pool	461,351	386,578
State Pool	1,751	1,154
<b>Gross Receipts</b>	<b>\$3,877,056</b>	<b>\$3,373,692</b>

**Statewide Results**

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

**Additional Tax Districts Approved**

Voters approved eight of the nine sales

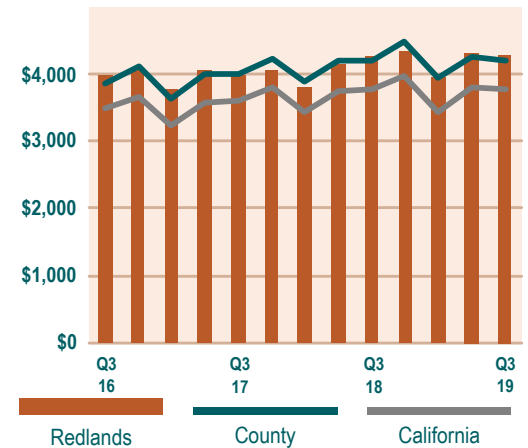
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

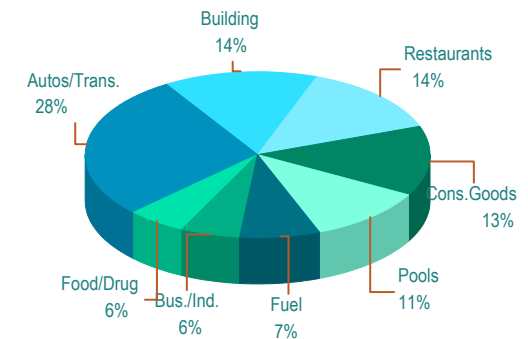
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP**  
Redlands This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**REDLANDS TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Redlands Q3 '19*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	44.9	8.8%	2.0%	0.9%
Automotive Supply Stores	64.4	0.6%	1.6%	3.8%
Building Materials	375.7	0.7%	-4.3%	0.2%
Casual Dining	186.3	10.0%	3.4%	2.3%
Contractors	110.0	38.8%	15.9%	2.5%
Discount Dept Stores	— CONFIDENTIAL —			
Family Apparel	73.9	4.9%	5.1%	1.5%
Fast-Casual Restaurants	57.9	7.4%	6.5%	5.2%
Grocery Stores	137.3	0.7%	-0.4%	1.7%
Medical/Biotech	35.5	-15.5%	1.7%	6.5%
New Motor Vehicle Dealers	787.6	7.7%	-0.7%	-7.2%
Quick-Service Restaurants	204.9	-0.3%	3.4%	2.6%
Service Stations	254.0	1.4%	-1.6%	-1.5%
Specialty Stores	63.5	-1.1%	1.4%	0.3%
Sporting Goods/Bike Stores	31.9	-9.8%	-1.0%	-1.4%
<b>Total All Accounts</b>	<b>3,086.1</b>	<b>1.4%</b>	<b>1.2%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>396.1</b>	<b>-0.3%</b>	<b>5.1%</b>	<b>14.9%</b>
<b>Gross Receipts</b>	<b>3,482.2</b>	<b>1.2%</b>	<b>1.7%</b>	<b>2.3%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.