

Q4 2018



City of Redlands Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Redlands In Brief

Redlands' receipts from October through December were 8.6% above the fourth sales period in 2017 in part because previously missing payments were recovered. Excluding these and other reporting adjustments, actual receipts were up 4.3%.

This period, new car sales bucked the recent trend of modest declines. To fuel those new cars, folks are paying more at the pump as prices rose a modest amount this period.

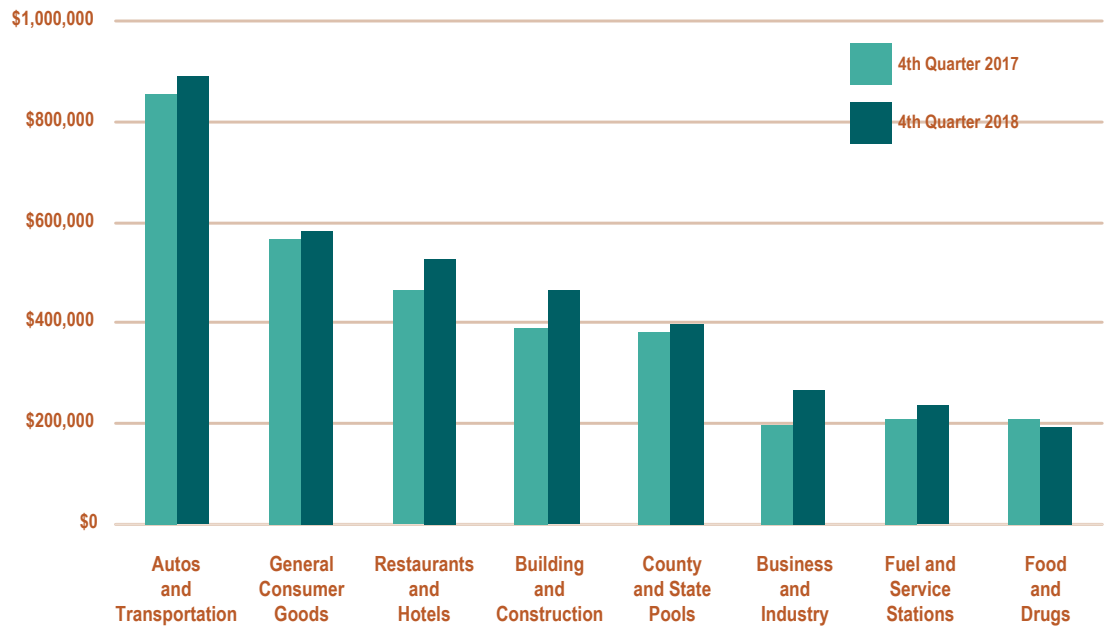
Several recently opened dining venues helped bolster receipts but several reporting errors were responsible for much of the increase reported by the construction group.

Corporate capital outlay improved the results of the business-industry group.

General consumer good sales activity reflects a prior store closure and a pair of onetime transactions that occurred in the comparison period that negatively skewed results.

Net of adjustments, taxable sales for all of San Bernardino County grew 3.3% over the comparable time period while those of the entire Southern California region were up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ashley Furniture	McDonalds
Burlington	Metro Nissan of Redlands
Calply	Redlands Chrysler Jeep Dodge Ram
Circle K	Redlands Ford
Citrus Arco	Redlands Shell
Core Health & Fitness	Stater Bros
Dal Tile Distribution	Tom Bell Chevrolet
ESRI Systems	Tom Bell Toyota
Hatfield Buick & GMC Truck	USA Gasoline
Home Depot	Valero
HYR Powersports	Vector Steel
Lowe's	Walmart
Marshalls	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$5,632,946	\$6,574,527
County Pool	716,687	857,322
State Pool	2,943	3,262
Gross Receipts	\$6,352,577	\$7,435,110

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

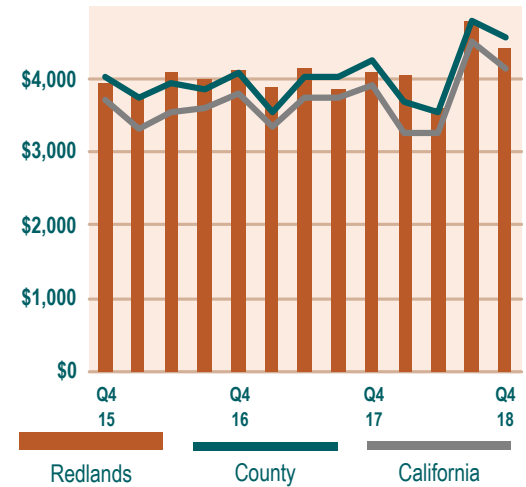
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

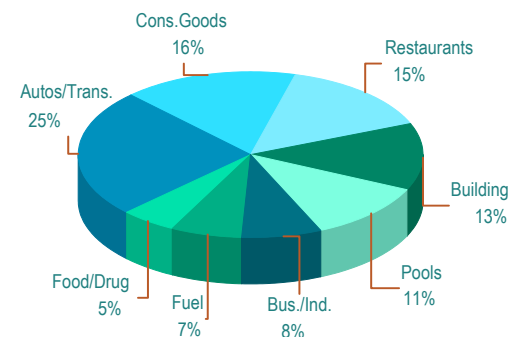
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

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 '18*	Redlands Change	County Change	HdL State Change
Auto Repair Shops	42.0	-5.3%	0.5%	4.2%
Automotive Supply Stores	60.9	-1.5%	4.1%	2.9%
Building Materials	364.4	10.9%	3.5%	5.5%
Casual Dining	194.9	7.4%	-0.2%	2.5%
Contractors	95.3	82.7%	15.8%	17.4%
Discount Dept Stores	— CONFIDENTIAL —		2.4%	4.0%
Family Apparel	89.7	-0.9%	6.6%	0.4%
Fast-Casual Restaurants	66.5	57.1%	7.9%	4.5%
Grocery Stores	123.9	-16.1%	-9.6%	-11.7%
New Motor Vehicle Dealers	699.4	4.3%	1.0%	5.8%
Quick-Service Restaurants	211.1	-0.1%	7.6%	6.6%
Service Stations	236.0	12.2%	30.0%	28.5%
Specialty Stores	80.1	18.6%	-11.3%	-10.8%
Sporting Goods/Bike Stores	50.1	-7.6%	1.7%	-2.4%
Textiles/Furnishings	— CONFIDENTIAL —		-7.9%	7.4%
Total All Accounts	3,160.6	9.2%	8.2%	7.0%
County & State Pool Allocation	397.5	3.6%	2.7%	8.6%
Gross Receipts	3,558.1	8.6%	7.6%	7.2%