

# Q1 2019



# City of Upland Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

## Upland In Brief

Upland's receipts from January through March were 11.0% above the first sales period in 2018. Excluding reporting aberrations, actual sales were down 1.5%.

The majority of the State's software-driven payment issues appear to have been resolved, however, double-up payments and missing payments in the comparison quarter are distorting cash totals.

The business and industry sector benefited from a onetime use tax payment, while a negative accounting adjustment in the year-ago period distorted totals. New businesses pushed up revenue from general consumer goods.

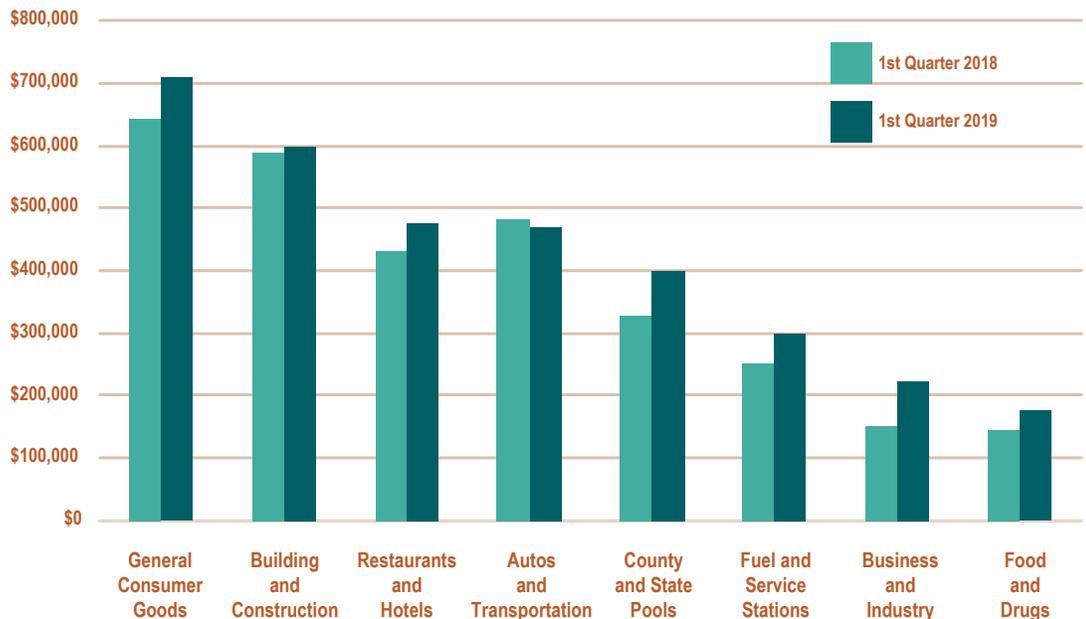
New dining options provided increased revenue from restaurants and hotels. The food-drug sector also enjoyed increased revenue from new retail outlets.

Fuel prices dropped slightly when compared to the year-ago period, thereby reducing totals from service stations.

The City's share of the countywide use tax pool increased 21.8% when compared to the same period in the prior year.

Net of aberrations, taxable sales for all of San Bernardino County grew 1.6% over the comparable time period; the Southern California region was up 0.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Marshalls
Arco AM PM	Mountain View Chevrolet
Caliber Collision Centers	Nordstrom Rack
Circle K	RV Spa
CNC Motors	Stater Bros
Dick's Sporting Goods	Target
Ford of Upland	TJ Maxx
G&M Oil	Thifty Gas Station
Holiday Rock	USA Gasoline
Home Depot	Verizon Wireless
In N Out Burger	Vons Fuel
Kohls	Walmart
Lowes	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$8,965,334	\$9,819,727
County Pool	1,123,041	1,291,850
State Pool	5,592	5,058
<b>Gross Receipts</b>	<b>\$10,093,966</b>	<b>\$11,116,634</b>

**Statewide Results**

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

**Slower Growth Ahead?**

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

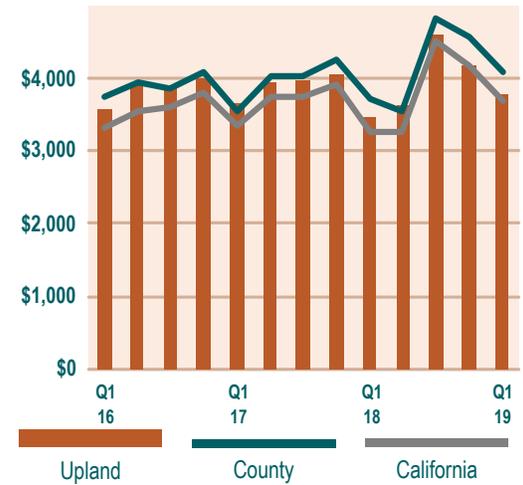
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

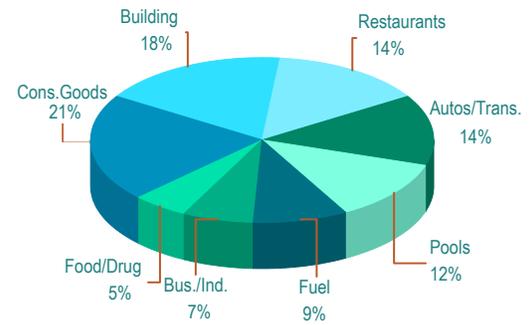
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Upland This Quarter



**UPLAND TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Upland		County	HdL State
	Q1 '19*	Change	Change	Change
Auto Repair Shops	67.2	38.0%	22.0%	12.8%
Building Materials	381.5	5.1%	1.3%	4.0%
Casual Dining	175.5	2.8%	16.5%	13.3%
Contractors	— CONFIDENTIAL —	—	12.8%	4.7%
Convenience Stores/Liquor	52.4	4.1%	4.2%	16.2%
Department Stores	— CONFIDENTIAL —	—	10.4%	35.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.4%	2.9%
Electronics/Appliance Stores	64.8	0.6%	0.9%	-3.2%
Family Apparel	81.1	41.1%	7.7%	7.1%
Fast-Casual Restaurants	67.5	11.8%	10.9%	8.7%
Grocery Stores	88.7	21.8%	30.3%	25.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-0.1%	-1.8%
Quick-Service Restaurants	224.3	17.3%	10.7%	10.1%
Service Stations	298.9	19.8%	19.1%	15.8%
Specialty Stores	94.2	4.1%	18.3%	23.4%
<b>Total All Accounts</b>	<b>2,958.5</b>	<b>9.8%</b>	<b>11.3%</b>	<b>13.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>398.4</b>	<b>21.5%</b>	<b>23.1%</b>	<b>23.8%</b>
<b>Gross Receipts</b>	<b>3,357.0</b>	<b>11.0%</b>	<b>12.5%</b>	<b>14.9%</b>