

Q2 2016



San Bernardino Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

San Bernardino In Brief

San Bernardino's receipts from April through June were 7.9% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 5.8%.

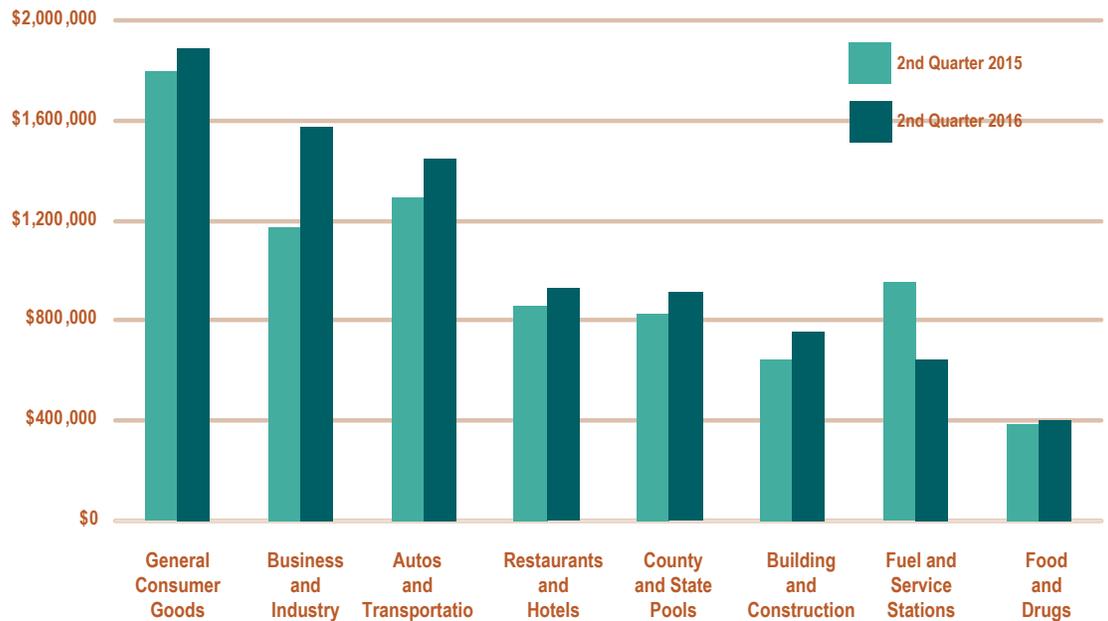
Large onetime use tax allocations from trailer/auto parts and heavy industrial merchants boosted revenue from business to business activity, which accounted for 64% of the overall gain. Strong returns from lumber/building material vendors and plumbing/electrical suppliers enhanced the building and construction group and outpaced the current statewide trend.

Steady activity by auto-transportation dealers also helped, however the majority of the increase came from used car sales and leasing activity with purchases of new vehicles only growing 0.7%. Positive receipts from multiple consumer goods retailers and increased allocations from the countywide use tax pool, further contributed to the overall growth.

Weak global demand for crude oil and a stable supply of retail gas was responsible for lower gas prices and therefore decreased revenue from service stations.

Net of aberrations, taxable sales for all of San Bernardino County grew 5.9% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allied Building Products	Macys
Allstar Kia	Moss Bros
Amazon Robotics	New Flyer of America
Bay City Equip Industries	Nissan of San Bernardino
Best Buy	Ross
Chaparral Motorsports	Sams Club w/fuel
Costco	Sears
Crest Chevrolet	Stater Bros
Fairview Ford Sales	T Mobile
G&M Oil	Target
Home Depot	Toyota/Subaru of San Bernardino
Interline Brands	Walmart
Kohls Distribution Center	Supercenter

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$7,100,456	\$7,646,414
County Pool	823,186	907,448
State Pool	5,902	2,609
Gross Receipts	\$7,929,544	\$8,556,471
Less Triple Flip*	\$(1,982,386)	\$0
Measure Z	\$2,066,680	\$2,156,965

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

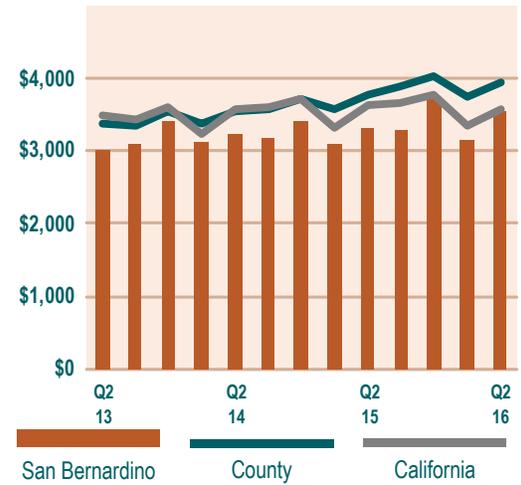
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

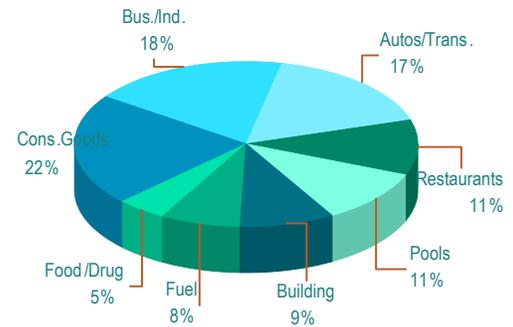
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
San Bernardino This Quarter



SAN BERNARDINO TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	San Bernardino	County	HdL State	
	Q2 '16*	Change	Change	Change
Automotive Supply Stores	161.1	21.4%	4.6%	1.5%
Casual Dining	308.1	3.6%	3.7%	4.2%
Department Stores	119.6	2.1%	-16.3%	-4.3%
Discount Dept Stores	828.9	-0.8%	0.0%	0.7%
Electronics/Appliance Stores	239.2	47.0%	34.1%	22.4%
Family Apparel	159.3	-5.7%	6.7%	4.4%
Fulfillment Centers	— CONFIDENTIAL —		12.3%	-5.5%
Grocery Stores Liquor	218.9	7.3%	2.0%	1.2%
Heavy Industrial	387.0	42.3%	-13.2%	6.3%
Lumber/Building Materials	458.4	8.6%	7.7%	3.3%
New Motor Vehicle Dealers	917.8	0.7%	7.1%	2.7%
Plumbing/Electrical Supplies	147.1	57.5%	56.8%	7.6%
Quick-Service Restaurants	521.8	7.3%	7.1%	6.7%
Service Stations	637.2	-32.3%	-20.2%	-19.2%
Trailers/Auto Parts	143.7	107.5%	16.0%	-8.0%
Total All Accounts	7,646.4	7.7%	5.4%	-0.6%
County & State Pool Allocation	910.1	9.8%	7.5%	15.2%
Gross Receipts	8,556.5	7.9%	5.7%	1.4%