

# Q3 2017



# City of Brawley Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

## Brawley In Brief

Brawley's receipts from July through September were 3.6% below the third sales period in 2016. Excluding reporting aberrations, actual sales were down 5.6%.

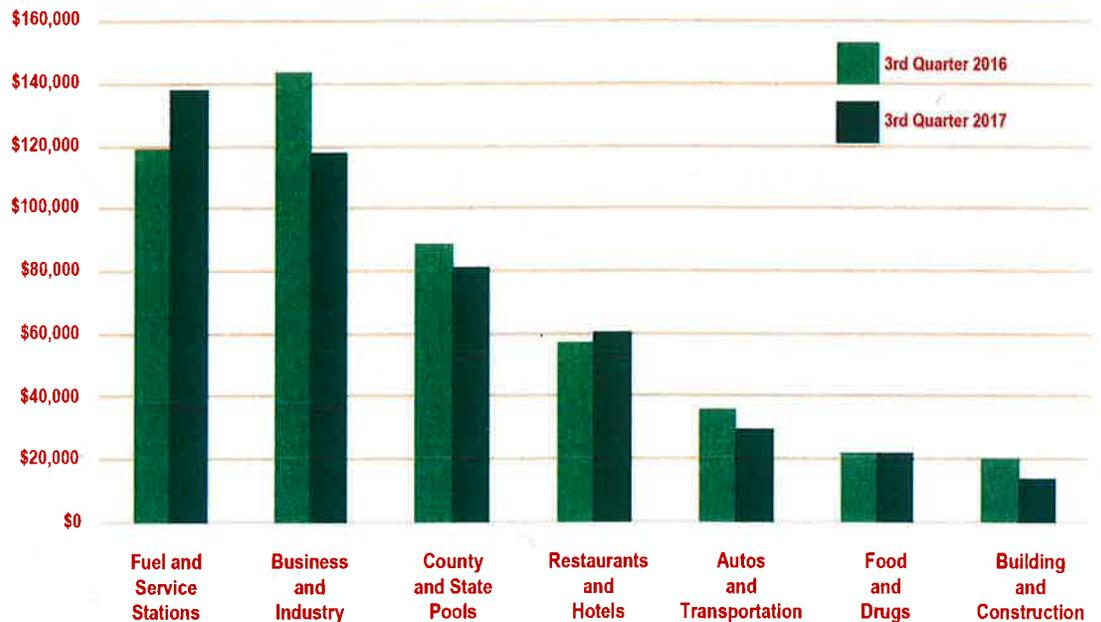
Most of the decline was due to big spikes in the prior year by both warehouse/farm equipment and auto transportation merchants. Weaker sales by building-construction suppliers further hurt overall results.

These changes in local point of sales, combined with an overall decrease in the countywide pool amount available due to onetime energy projects in the comparison period, caused the quarterly use tax pool allocation to also drop 8.4%.

However, higher global crude oil prices combined with regular summer consumption let to solid returns from service stations, partially offsetting the declines. Positive growth by general consumer retailers and quick-service restaurants additionally helped.

Net of aberrations, taxable sales for all of Imperial County declined 6.5% over the comparable time period; the Southern California region was up 3.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	McNeece Bros Oil
AutoZone	Northend Auto Parts
Brawley Tractor Parts	OK Tire
Circle K 76	Pioneers Memorial Hospital
Del Taco	Prime Fuel & Mini Mart
Exxon	RDO Water
HD Supply Waterworks	Shell Station Market
Imperial Hardware	USA Gas
Jack in the Box	Vons
Johnnys Burritos	Walmart Online
Jordan Implement	Walmart Supercenter
Lidco Imperial Valley	Weatherford Tubular Services
McDonalds	

### REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$983,049	\$915,149
County Pool	146,417	159,719
State Pool	343	146
<b>Gross Receipts</b>	<b>\$1,129,810</b>	<b>\$1,075,014</b>

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

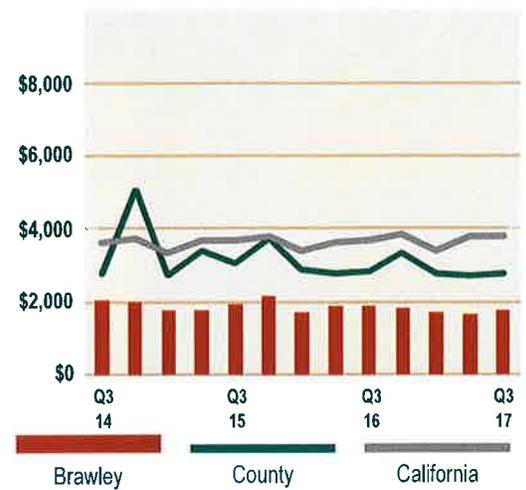
**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

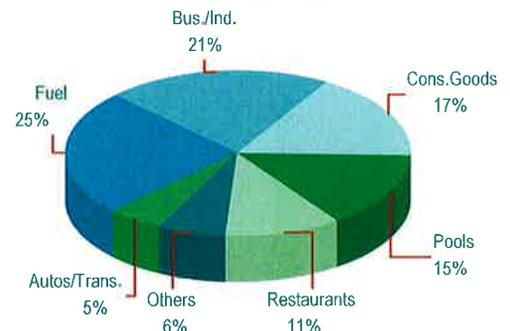
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Brawley This Quarter



**BRAWLEY TOP 15 BUSINESS TYPES**

Business Type	Brawley		County	HdL State
	Q3 '17	Change	Change	Change
Auto Repair Shops	6,480	17.3%	3.9%	4.1%
Automotive Supply Stores	20,682	-8.0%	5.7%	3.6%
Building Materials	— CONFIDENTIAL —		5.1%	5.6%
Casual Dining	11,517	-8.8%	-7.2%	2.2%
Convenience Stores/Liquor	6,955	9.5%	2.3%	7.8%
Discount Dept Stores	— CONFIDENTIAL —		4.4%	6.1%
Fulfillment Centers	— CONFIDENTIAL —		19.5%	42.7%
Grocery Stores	8,378	-9.5%	0.3%	0.6%
Petroleum Prod/Equipment	— CONFIDENTIAL —		136.0%	28.4%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		-35.9%	4.6%
Quick-Service Restaurants	48,829	8.8%	-1.5%	4.8%
Repair Shop/Equip. Rentals	4,676	4.8%	154.5%	7.8%
Service Stations	79,320	16.0%	22.6%	9.2%
Variety Stores	— CONFIDENTIAL —		17.7%	6.9%
Warehse/Farm/Const. Equip.	92,929	-25.8%	-12.5%	6.5%
<b>Total All Accounts</b>	<b>477,194</b>	<b>-2.7%</b>	<b>-0.4%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>81,333</b>	<b>-8.4%</b>	<b>-6.3%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>558,527</b>	<b>-3.6%</b>	<b>-1.3%</b>	<b>4.2%</b>