

# Q1 2020



# City of Brawley Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

## Brawley In Brief

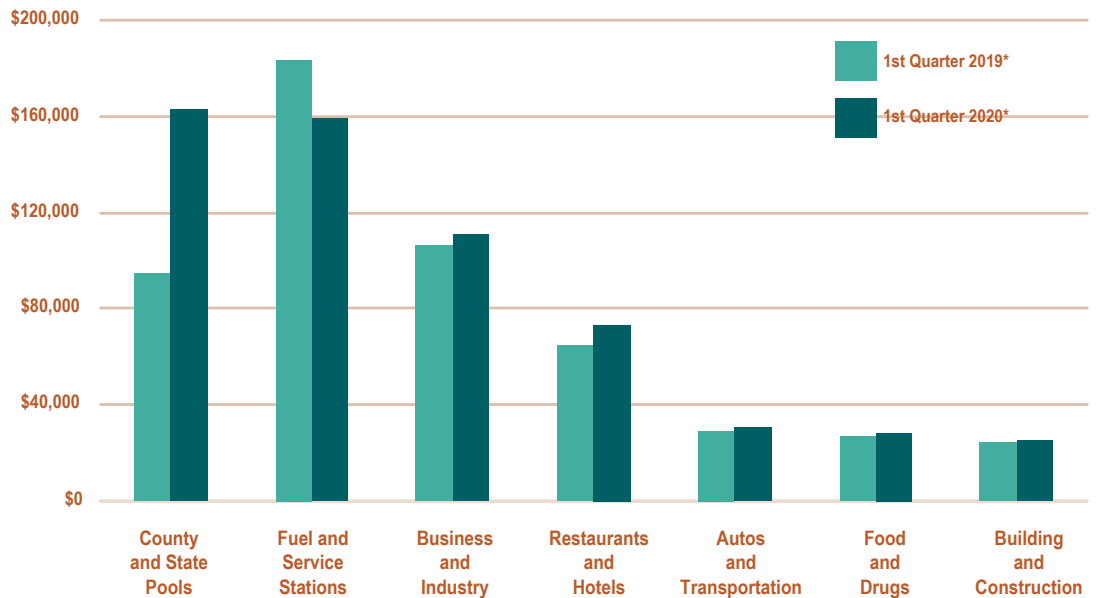
The City's allocation of sales and use tax from its January through March sales was 0.5% lower the first quarter of 2019. However, much of the decrease was due to deferred payments related to the State's taxpayer relief programs. Revenues would have been up approximately 9.8% after factoring for these and other reporting anomalies.

Losses from declines in fuel and service stations were offset by sharp gains in the countywide use tax allocation pool of which Imperial received a 14% share. The pool gain is due to a shift to shopping over the internet where much of the merchandise is shipped from out-of-state and to recent legislation that requires out-of-state retailers to collect and remit local taxes.

Previous restaurant additions and a solid quarter for auto parts, grocers and farm equipment/ supplies further added to the actual gain.

Adjusted for deferred payments and accounting aberrations, sales and use tax receipts for all of Imperial County declined 6.3% over the comparable time period while the Southern California region as a whole, was down 4.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Lidco Imperial Valley
AutoZone	McDonalds
Brawley Tractor Parts	McNeece Bros Oil
Circle K 76	O'Reilly Auto Parts
Dollar Tree	Pacific Ag Rentals
Elms Equipment Rental	Pilot Travel Center
HD Supply	Prime Fuel & Mini Mart
Waterworks	RDO Water
Imperial Hardware	Rite Aid
Jack in the Box	Shell
Johnnys Burritos	USA Gasoline
Jordan Implement	Vons
Las Chabelas Restaurants	Walmart Supercenter

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$1,775,983	\$1,761,609
County Pool	282,874	487,686
State Pool	941	1,087
<b>Gross Receipts</b>	<b>\$2,059,797</b>	<b>\$2,250,382</b>

**Statewide Results**

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

**New Challenges & Opportunities**

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

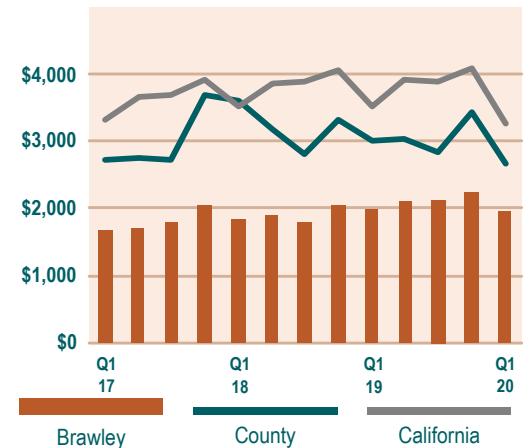
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

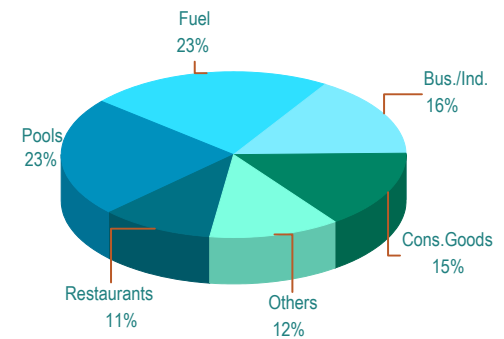
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

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



\*Allocation aberrations have been adjusted to reflect sales activity

**BRAWLEY TOP 15 BUSINESS TYPES\*\***

Business Type	Brawley		County	HdL State
	Q1 '20	Change	Change	Change
Automotive Supply Stores	24,699	11.7%	1.6%	-9.5%
Building Materials	— CONFIDENTIAL —	—	3.3%	3.0%
Casual Dining	12,352	-7.0%	-13.5%	-18.8%
Convenience Stores/Liquor	7,230	-8.2%	64.4%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —	—	1.5%	3.2%
Fulfillment Centers	— CONFIDENTIAL —	—	0.0%	56.6%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	8.4%	12.0%
Grocery Stores	— CONFIDENTIAL —	—	5.2%	11.8%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-18.1%	-9.6%
Plumbing/Electrical Supplies	12,285	1.2%	-14.1%	1.5%
Quick-Service Restaurants	61,044	19.2%	-1.4%	-8.5%
Repair Shop/Equip. Rentals	21,864	5.4%	-24.8%	-0.3%
Service Stations	132,203	-9.2%	0.2%	-9.5%
Variety Stores	— CONFIDENTIAL —	—	8.8%	0.9%
Warehse/Farm/Const. Equip.	39,913	13.5%	2.8%	4.3%
<b>Total All Accounts</b>	<b>535,858</b>	<b>-1.2%</b>	<b>-10.6%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>163,049</b>	<b>72.9%</b>	<b>18.6%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>698,906</b>	<b>9.8%</b>	<b>-6.3%</b>	<b>-3.0%</b>

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