

# Q4 2019



# City of Brawley Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## Brawley In Brief

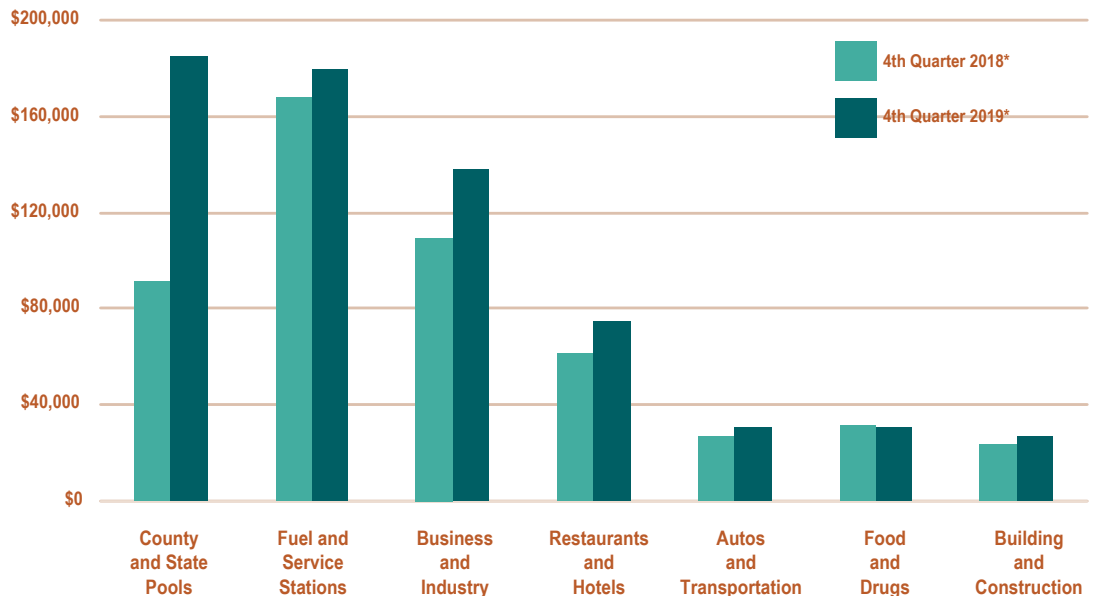
Brawley's allocation of sales and use tax from its October through December sales was 47.9% higher than the holiday quarter of 2018. However, the comparison was skewed by a series of reporting anomalies. Receipts were up 23.6% after these are factored out.

Previous additions to the fuel-service station, restaurant and auto-transportation groups contributed to a portion of the increase but the primary factor was a jump in the countywide use tax allocation pool. Factors responsible for the pool's increase included an acceleration in online shopping where much of the merchandise is shipped from out-of-state; new revenues generated by a previous Supreme Court decision that requires out-of-state retailers to collect and remit California's sales and use tax; and a temporary boost from capital expenditures related to a current energy project.

Brawley generated 10.5% of all the taxable sales in the county this quarter and thereby received 10.5% of county pool revenues. The City's share grew from the 8.2% received the fourth quarter of last year.

Adjusted for aberrations, sales and use tax receipts for all of Imperial County rose 10.1% over the comparable time period while the Southern California region as a whole, was up 4.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Jordan Implement
Brawley Tractor Parts	Lidco Imperial Valley
Cal-Grade	Mallory Safety & Supply
Circle K	McDonalds
Circle K 76	McNeece Bros Oil
Daniels Tire Service	Pacific Ag Rentals
Dollar Tree	Pilot Travel Center
Elms Equipment Rental	RDO Water
HD Supply Waterworks	Shell
Imperial Hardware	USA Gasoline
Jack in the Box	Vons
Johnnys Burritos	Walmart Online
	Walmart Supercenter

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$1,216,689	\$1,242,189
County Pool	182,609	351,033
State Pool	616	611
<b>Gross Receipts</b>	<b>\$1,399,914</b>	<b>\$1,593,833</b>

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

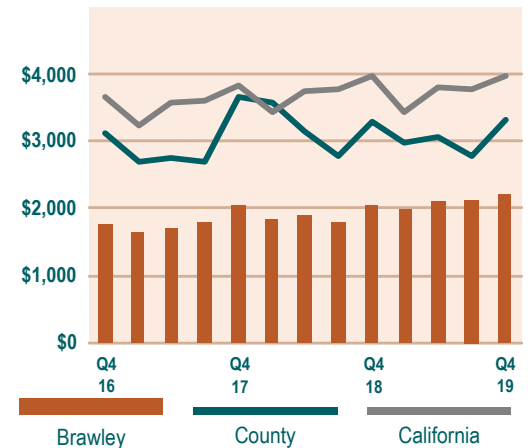
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer with the deepest tax declines expected in the restaurant/hospitality, travel/trans-

portation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

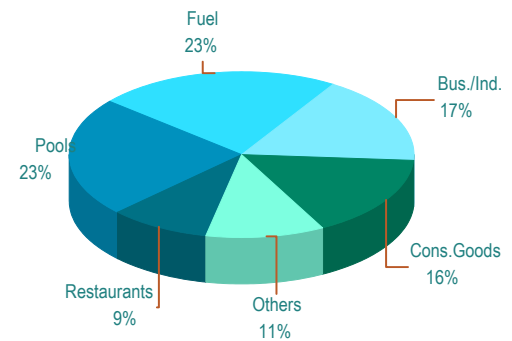
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**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
	Q4 '19	Change	Change	Change
Automotive Supply Stores	20,322	1.2%	2.1%	0.5%
Building Materials	— CONFIDENTIAL —	—	5.7%	1.4%
Casual Dining	14,174	16.3%	1.3%	3.8%
Convenience Stores/Liquor	8,925	5.1%	13.5%	-0.1%
Discount Dept Stores	— CONFIDENTIAL —	—	6.9%	3.5%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	12.3%	-0.4%
Grocery Stores	— CONFIDENTIAL —	—	-7.4%	1.3%
Light Industrial/Printers	6,927	37.8%	-18.3%	-7.0%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-0.7%	-1.3%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-1.6%	-0.5%
Quick-Service Restaurants	60,660	23.4%	7.2%	1.9%
Repair Shop/Equip. Rentals	20,827	34.9%	4.3%	1.0%
Service Stations	134,787	10.8%	-5.9%	0.2%
Variety Stores	8,575	7.2%	13.2%	0.5%
Warehse/Farm/Const. Equip.	51,105	10.8%	-1.4%	0.0%
<b>Total All Accounts</b>	<b>607,557</b>	<b>10.5%</b>	<b>1.3%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>184,906</b>	<b>102.2%</b>	<b>59.4%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>792,463</b>	<b>23.6%</b>	<b>10.1%</b>	<b>4.2%</b>

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