

Q4 2018



City of Brawley Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Brawley In Brief

Brawley's receipts from October through December were 13.0% below the fourth sales period in 2017. Excluding reporting aberrations, actual sales were down 8.3%.

Complications from the State's software conversion continued to skew distributions. As a result, temporary processing delays offset the gain from a recent opening in the fuel and service station group.

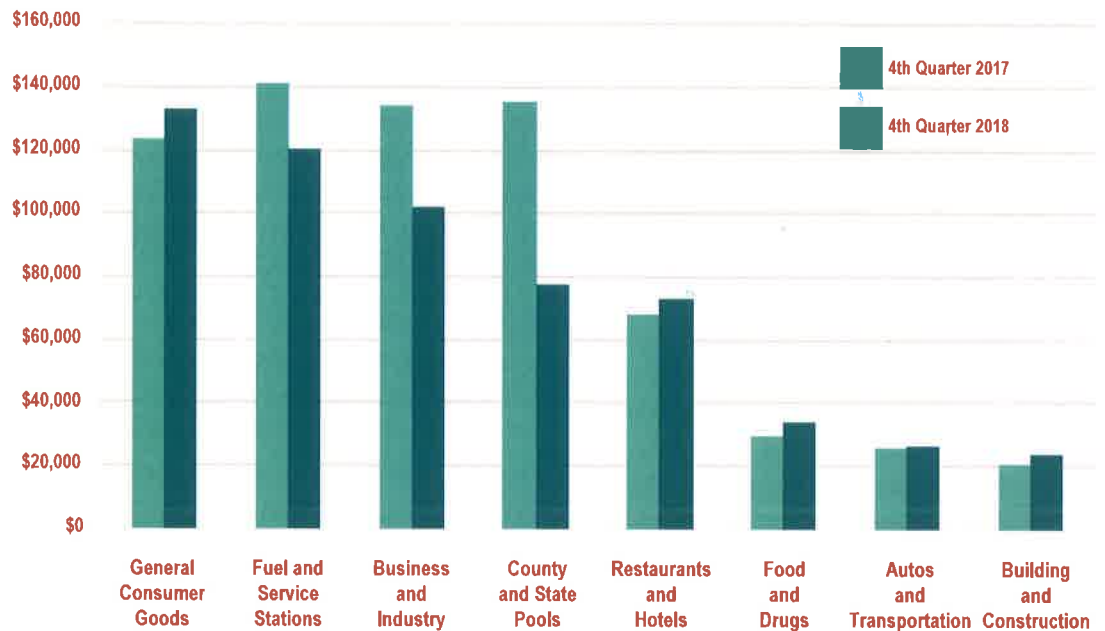
The drop in business to business performance was due to unusually high returns in the comparison quarter.

Finally, a reporting error that spiked year ago receipts accounted for the double digit decrease in the county-wide use tax allocation pool. There will be a correction which will adversely impact the City's share of the pool in a future period.

Reporting errors overstated positive results in both general retail and restaurants while a new account boosted food and drugs.

Net of aberrations, taxable sales for all of Imperial County declined 11.3% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AutoZone	Lidco Imperial Valley
Carl's Jr	Pacific Ag Rentals
Circle K 76	Pilot Travel Center
Daniels Tire Service	Prime Fuel & Mini Mart
Del Taco	RDO Water
Dollar Tree	Rite Aid
Dominos Pizza	Shell
Elms Equipment Rental	Shell Station Market
HD Supply Waterworks	USA Gas
Imperial Hardware	Vons
Jack in the Box	Walmart Online
Johnnys Burritos	Walmart Supercenter
Jordan Implement	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$1,020,198	\$1,216,689
County Pool	215,991	182,609
State Pool	556	616
Gross Receipts	\$1,236,745	\$1,399,914

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

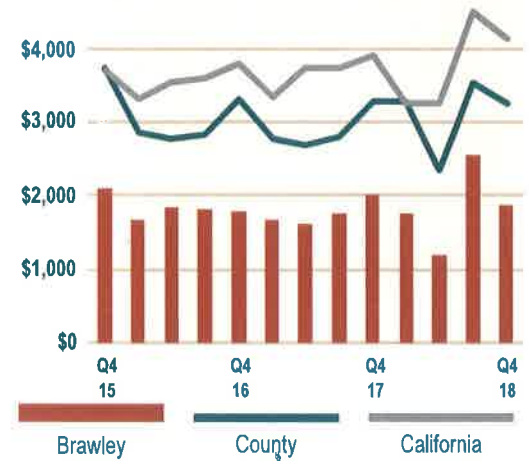
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



**COUNTY OVERALL
4Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	13.5%	3.5%
Building and Construction	25.5%	15.9%
Business and Industry	-17.4%	-28.1%
Food and Drugs	12.8%	13.0%
Fuel and Service Stations	-2.3%	-1.7%
General Consumer Goods	0.6%	1.3%
Restaurants and Hotels	-1.0%	1.6%
County and State Pools	-39.1%	-41.2%
Total	-7.2%	-11.3%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP

Brawley This Quarter

