

# Q4 2016



# Garden Grove Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2016)*

## Garden Grove In Brief

Garden Grove's receipts from October through December were 0.8% above the fourth sales period in 2015.

A onetime use tax payment was responsible for the increase in the heavy industrial category. A new addition helped boost revenue for hotels with liquor. General consumer goods enjoyed a strong sales quarter with increases in both family apparel and variety stores.

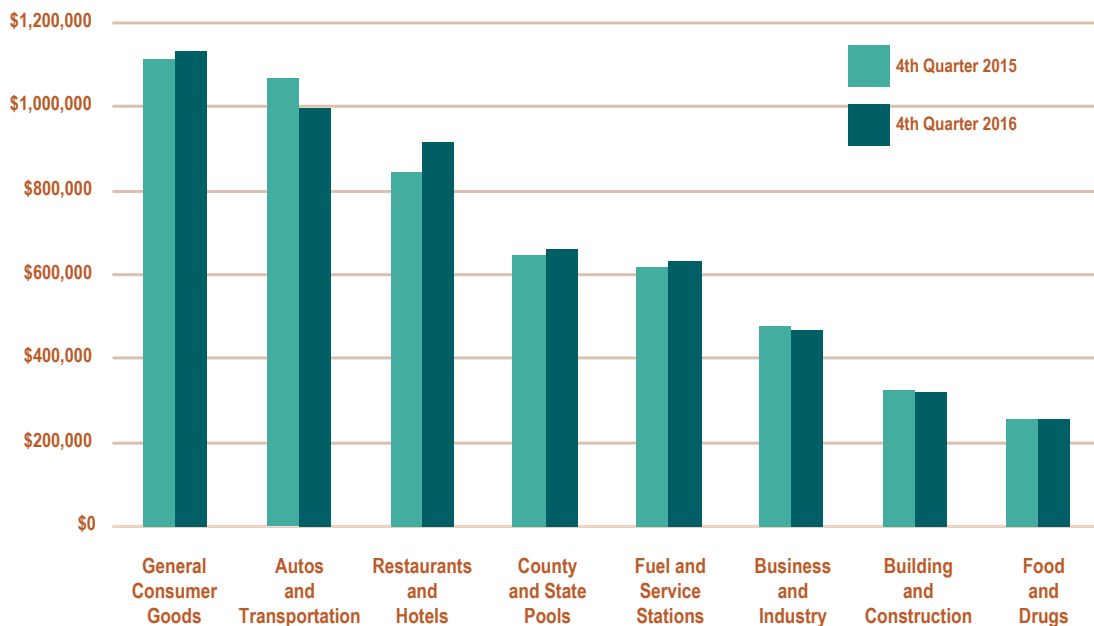
Sluggish holiday sales negatively impacted new motor vehicle sales, while service stations were only slightly lower as gas prices were mostly unchanged compared to the prior year. A business closure caused a drop in receipts for automotive supply stores.

Declines in the building and construction group were due to lower receipts for plumbing and electrical supplies.

The City's share of the countywide use tax pool increased 2.6% over the comparison period.

Net of aberrations, taxable sales for all of Orange County grew 1.2% over the comparable time period; the Southern California region was up 1.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

American Isostatic Presses	One Source Distributors
Burlington Coat Factory	Quantum Auto Sales
California Fuels & Lubricants	Ralphs
Chevron	Rite Aid
Costco	Ross
Garden Grove Hyundai	Shell
Garden Grove Kia	Simpson Chevrolet
Great Wolf Lodge	Target
Home Depot	Toyota Place
Hyatt Regency	Volkswagen of Garden Grove
Imperio Nissan of Garden Grove	Vons
Marshalls	Walmart Neighborhood Market
McDonalds	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$14,253,040	\$14,246,622
County Pool	1,769,776	2,376,328
State Pool	15,477	8,238
<b>Gross Receipts</b>	<b>\$16,038,292</b>	<b>\$16,631,188</b>
Less Triple Flip*	\$(4,009,573)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

**The Shrinking, Disappearing Retail Store**

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

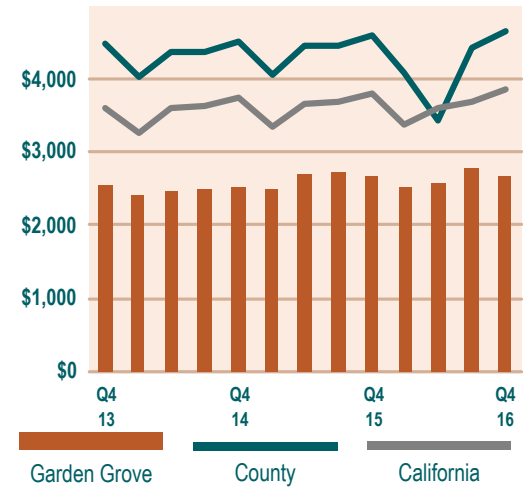
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

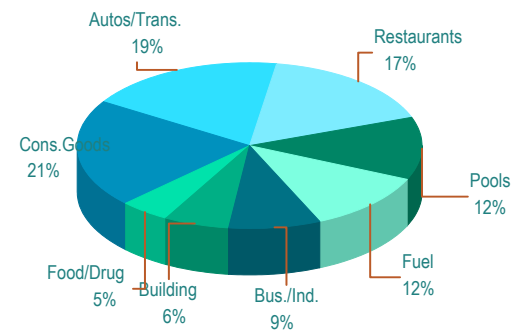
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Garden Grove This Quarter



**GARDEN GROVE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Garden Grove Q4 '16*	Change	County Change	HdL State Change
Building Materials	192.0	1.3%	-2.5%	0.7%
Casual Dining	434.9	2.9%	2.9%	2.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.8%	-0.6%
Electrical Equipment	169.1	-6.3%	39.6%	7.1%
Electronics/Appliance Stores	72.6	60.3%	-1.5%	-1.3%
Family Apparel	134.8	8.5%	7.4%	4.7%
Grocery Stores	123.4	-4.1%	3.6%	3.9%
Heavy Industrial	74.6	65.7%	-7.5%	12.9%
Hotels-Liquor	107.7	38.8%	12.4%	5.8%
New Motor Vehicle Dealers	664.9	-8.7%	4.2%	5.6%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	21.5%	-2.0%
Quick-Service Restaurants	300.1	5.5%	1.6%	5.7%
Service Stations	491.8	-1.1%	-2.3%	-1.0%
Specialty Stores	100.4	-4.2%	2.6%	3.6%
Used Automotive Dealers	127.9	-5.5%	6.8%	7.6%
<b>Total All Accounts</b>	<b>4,723.4</b>	<b>0.7%</b>	<b>2.3%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>659.5</b>	<b>1.7%</b>	<b>3.4%</b>	<b>6.9%</b>
<b>Gross Receipts</b>	<b>5,382.9</b>	<b>0.8%</b>	<b>2.5%</b>	<b>3.0%</b>