

Q1 2017



City of Brawley Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Brawley In Brief

Brawley's receipts from January through March were 0.8% below the first sales period in 2016. Excluding reporting aberrations, actual sales were up 0.3%.

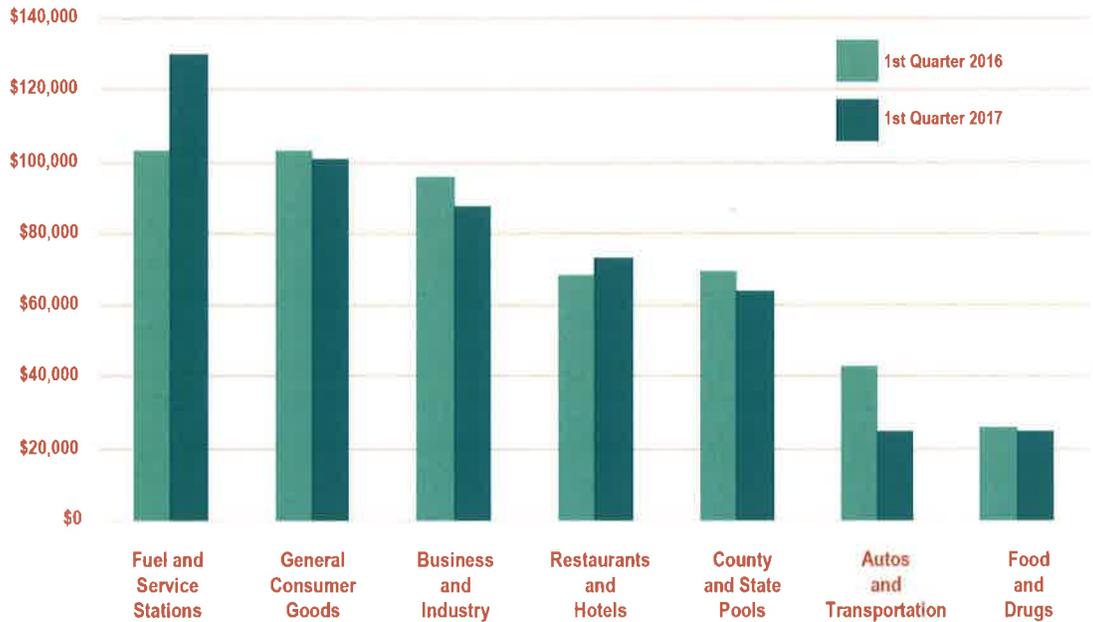
This quarter's rebound in gas prices resulted in a jump in proceeds from fuel and service stations, though the 26% reported gain was inflated by a supplier's double-payment and a Board of Equalization accounting correction. Tax revenue from fuel sales would have otherwise increased 12%, closer to the year-over-year growth in statewide gasoline prices.

Fast-food sales, one of the strongest segments in the restaurant industry thanks to attractive price-points, enhanced food quality and speedy service that suits today's busy lifestyle, were higher.

Much of this progress was offset by lower auto-transportation related receipts, though this reported loss was also magnified by payment aberrations. Warehouse/farm/construction equipment sales dropped, possibly due to the significant rainfall experienced in the Southern California region.

Net of aberrations, taxable sales for all of Imperial County grew 0.6% over the comparable time period; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	McNeece Bros Oil
AutoZone	Northend Auto Parts
California Cars & Credit	Prime Fuel & Mini Mart
Carl's Jr	RDO Water
Circle K 76	Reddy Ice
Exxon	Rite Aid
Fillco	Shell Station Market
HD Supply Waterworks	USA Gas
Imperial Hardware	Vons
Jack in the Box	Walmart Online
Johnnys Burritos	Walmart Supercenter
Jordan Implement	Weatherford Tubular Services
McDonald's	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,985,423	\$1,912,254
County Pool	262,684	271,019
State Pool	1,454	1,463
Gross Receipts	\$2,249,560	\$2,184,737
Less Triple Flip*	\$(432,171)	\$0

*Reimbursed from county compensation fund

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Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

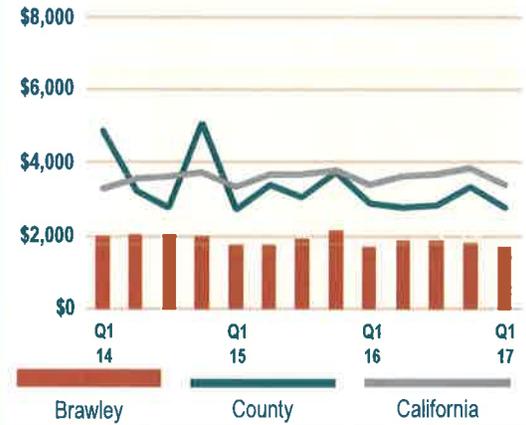
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

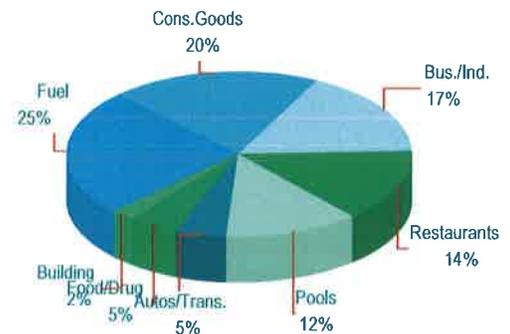
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brawley This Quarter



BRAWLEY TOP 15 BUSINESS TYPES

Business Type	Brawley		County	HdL State
	Q1 '17	Change	Change	Change
Auto Repair Shops	5,804	-12.1%	12.2%	5.2%
Automotive Supply Stores	21,834	-15.9%	-12.5%	0.0%
Building Materials	— CONFIDENTIAL —	—	4.0%	3.2%
Casual Dining	14,727	-12.1%	-3.0%	0.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-4.6%	1.6%
Fuel/Ice Dealers	— CONFIDENTIAL —	—	142.1%	10.6%
Fulfillment Centers	— CONFIDENTIAL —	—	32.2%	-0.1%
Grocery Stores	11,794	-4.9%	-1.1%	0.5%
Heavy Industrial	— CONFIDENTIAL —	—	9.0%	3.3%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-4.4%	51.9%
Quick-Service Restaurants	56,995	10.1%	4.1%	4.8%
Service Stations	83,842	15.2%	29.3%	9.9%
Used Automotive Dealers	— CONFIDENTIAL —	—	9.9%	2.0%
Variety Stores	— CONFIDENTIAL —	—	14.0%	5.2%
Warehse/Farm/Const. Equip.	55,018	-16.1%	4.6%	1.6%
Total All Accounts	452,489	0.2%	-1.9%	1.8%
County & State Pool Allocation	64,208	-7.5%	-9.5%	2.9%
Gross Receipts	516,697	-0.8%	-2.9%	1.9%