

Q2 2014



City of Brawley Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Brawley In Brief

Receipts for Brawley's April through June sales were 12.9% higher than the same quarter one year ago. Actual sales activity was up 14.5% when reporting aberrations were factored out.

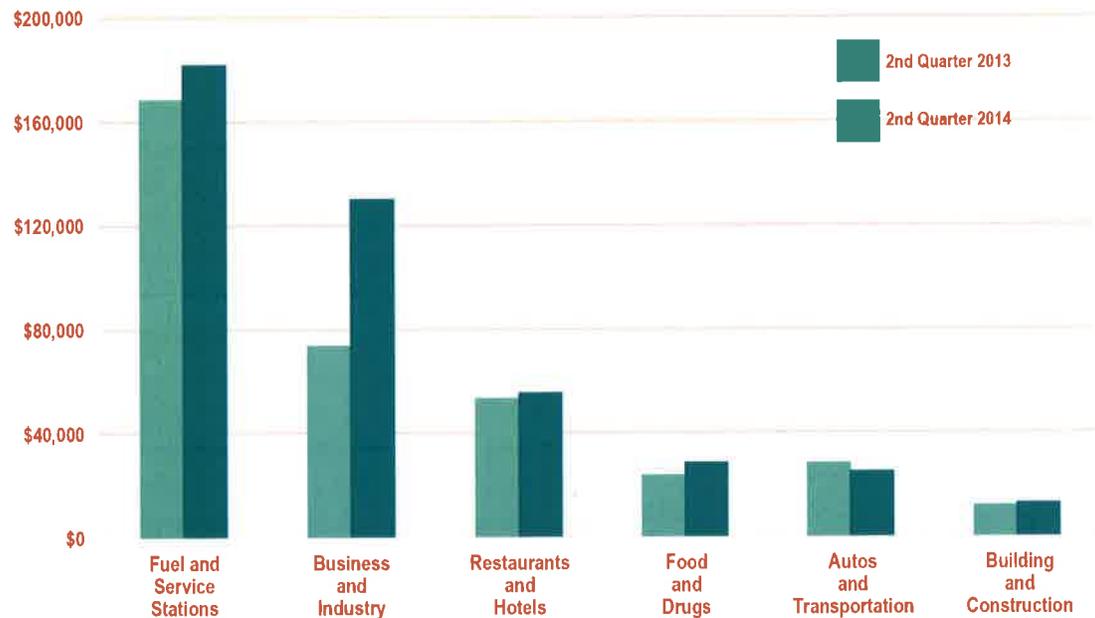
Business and industry experienced a strong sales quarter; however, onetime payments inflated the overall increase. In addition, payment anomalies temporarily boosted the food and drugs group.

Higher receipts from fuel and service stations contributed to the city's positive results. Gains from quick service eateries helped lift the restaurant group, while a new business was a significant factor in the increase from building and construction.

Sales declines from auto supply stores and some categories of general consumer goods partially offset the gains.

Adjusted for aberrations, taxable sales for all of Imperial County decreased 31.3% over the comparable time period, while the Southern California region as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lidco Imperial Valley
Arco AM PM	McDonalds
Auto Zone	McNeece Bros Oil
Brawley Exxon	RDO Water
Brawley Tractor Parts	Rite Aid
Desert Fuel	Road Island Petroleum
Elms Equipment Rental	Shell Station Market
Fillco	USA Gasoline
Hydraulics & Bearing Supply	Vons
Imperial Hardware	Wal Mart DVD Rentals
Jack in the Box	Walmart
Johnnys Burritos	Weatherford Tubular Services
Jordan Implement	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$454,715	\$528,618
County Pool	72,602	66,465
State Pool	328	404
Gross Receipts	\$527,645	\$595,487
Less Triple Flip*	\$(131,911)	\$(148,872)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of statewide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific "point of sale" in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California's 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year's state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government's one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the "triple flip" and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

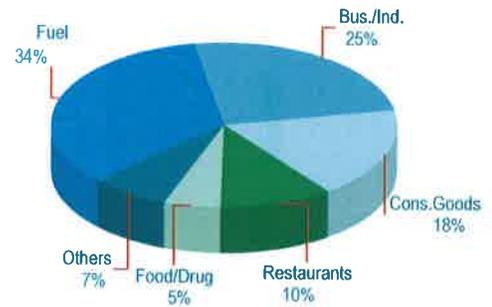
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state's use of property tax revenues to finance Proposition 198's minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state's attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brawley This Quarter



BRAWLEY TOP 15 BUSINESS TYPES

Business Type	Brawley		County Change	HdL State Change
	Q2 '14	Change		
Auto Repair Shops	7,796	-6.4%	0.1%	4.0%
Automotive Supply Stores	17,058	-10.7%	-13.3%	2.4%
Casual Dining	10,365	0.2%	4.6%	3.4%
Discount Dept Stores	— CONFIDENTIAL —		0.2%	2.9%
Drug Stores	— CONFIDENTIAL —		23.5%	10.0%
Fulfillment Centers	— CONFIDENTIAL —		89.0%	13.3%
Grocery Stores Liquor	— CONFIDENTIAL —		5.7%	5.8%
Hardware Stores	— CONFIDENTIAL —		6.4%	1.0%
Heavy Industrial	6,704	-29.6%	-6.4%	8.7%
Petroleum Prod/Equipment	— CONFIDENTIAL —		25.8%	-0.7%
Quick-Service Restaurants	44,888	4.3%	5.6%	6.7%
Repair Shop/Equip. Rentals	12,888	123.9%	-35.3%	-9.3%
Service Stations	106,435	6.7%	15.3%	6.7%
Variety Stores	— CONFIDENTIAL —		25.8%	8.5%
Warehse/Farm/Const. Equip.	90,980	90.3%	85.8%	13.6%
Total All Accounts	\$528,618	16.3%	-23.3%	2.8%
County & State Pool Allocation	\$66,869	-8.3%	-39.5%	12.7%
Gross Receipts	\$595,487	12.9%	-25.6%	3.9%