

Q4 2015



City of Brawley Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Brawley In Brief

Brawley's receipts from October through December were 12.3% above the fourth sales period in 2014. Excluding reporting aberrations, actual sales were up 4.4%.

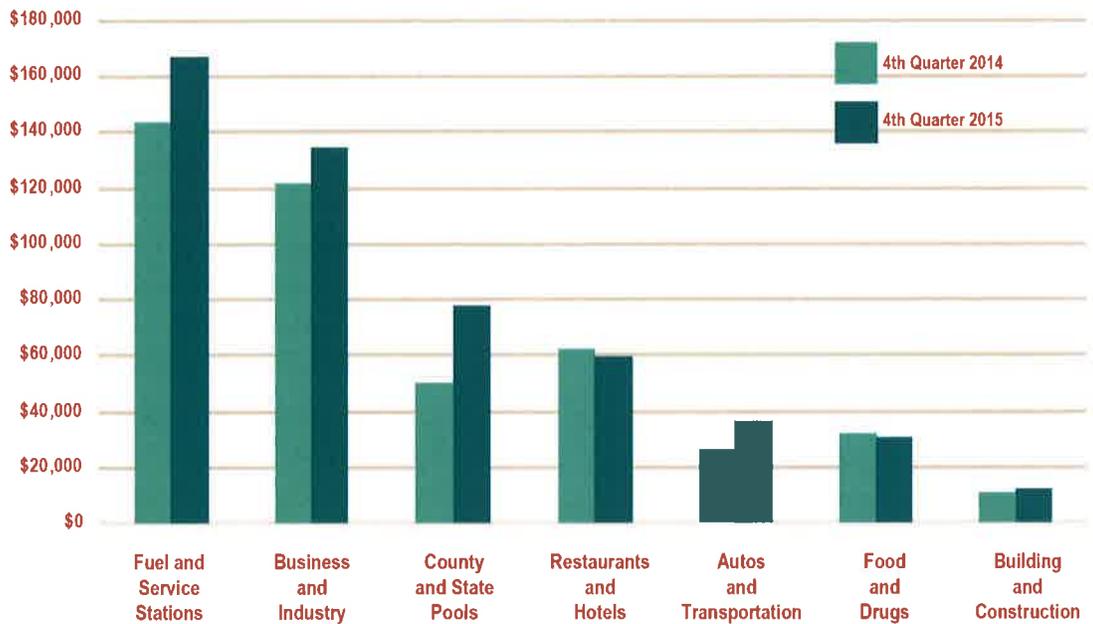
The primary cause of this variance was the receipt of a fuel and service station payment correction this quarter that pertains to several prior quarters of business activity. Fuel and service station receipts would have otherwise fallen 7% absent this anomaly, instead of the posted 17% gain, which would have still outperformed the average statewide decline of 13%.

Warehouse, farm and construction equipment sales increased and the City also received a larger share of the countywide use tax pool. The pooled funds are divided proportionately among cities and the county unincorporated area on the basis of taxable sales. Brawley's share has increased to over 8% as large revenue generating projects elsewhere in the region have wound down.

Restaurant and hotel postings were reduced by the closeout of an eating establishment and the temporary closure of a second quick-service outlet.

Net of aberrations, taxable sales for all of Imperial County declined 23.3% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Jordan Implement
Arco AM PM	Lidco Imperial Valley
AutoZone	McDonalds
Brawley Tractor Parts	McNeece Bros Oil
Circle K 76	Quick Lane Tire & Auto Center
Desert Fuel	RDO Water
Dollar Tree	Rite Aid
Exxon	Shell Station Market
Fillco	USA Gasoline
HD Supply Waterworks	Vons
Imperial Hardware	Walmart
Jack in the Box	Walmart Online
Johnnys Burritos	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$1,576,628	\$1,533,964
County Pool	201,660	192,971
State Pool	1,332	1,749
Gross Receipts	\$1,779,619	\$1,728,684
Less Triple Flip*	\$(444,905)	\$(432,171)

*Reimbursed from county compensation fund

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California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

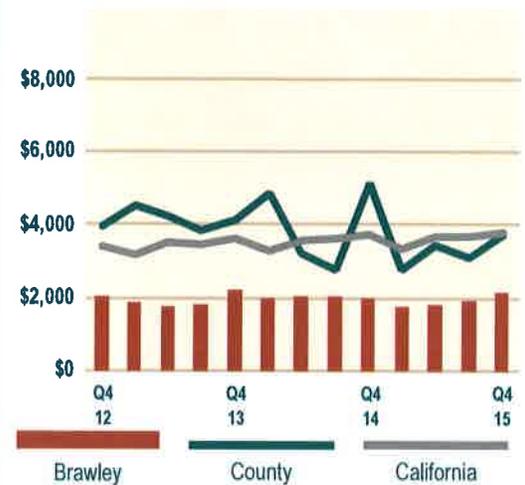
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

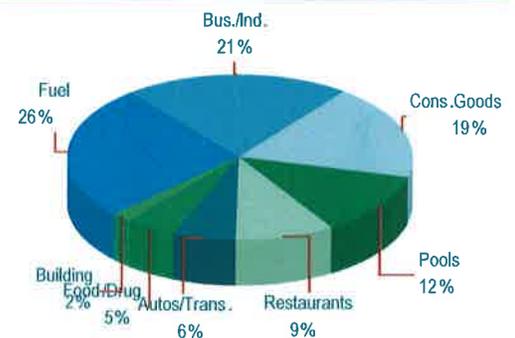
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Brawley This Quarter



BRAWLEY TOP 15 BUSINESS TYPES

Business Type	Brawley		County	HdL State
	Q4 '15	Change	Change	Change
Auto Repair Shops	5,716	4.3%	21.5%	5.7%
Automotive Supply Stores	29,978	46.4%	12.5%	5.3%
Casual Dining	14,481	-9.0%	-1.9%	6.2%
Discount Dept Stores	— CONFIDENTIAL —	—	-3.6%	3.0%
Drug Stores	— CONFIDENTIAL —	—	-14.4%	1.1%
Fulfillment Centers	— CONFIDENTIAL —	—	3.5%	-4.8%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	-7.0%	2.0%
Grocery Stores Liquor	— CONFIDENTIAL —	—	-5.5%	0.5%
Hardware Stores	— CONFIDENTIAL —	—	0.8%	8.5%
Heavy Industrial	— CONFIDENTIAL —	—	-19.8%	-6.0%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	0.8%	-30.0%
Quick-Service Restaurants	44,814	-4.0%	3.5%	7.9%
Service Stations	79,981	-2.8%	-13.7%	-10.5%
Variety Stores	— CONFIDENTIAL —	—	-6.9%	9.9%
Warehouse/Farm/Const. Equip.	99,354	15.7%	19.2%	1.7%
Total All Accounts	558,908	8.1%	-25.8%	2.4%
County & State Pool Allocation	77,650	55.1%	6.5%	10.8%
Gross Receipts	636,558	12.3%	-22.9%	3.5%