

Q2 2020



City of Brawley Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Brawley In Brief

Brawley's receipts from April through June were 2.1% above the second sales period in 2019. Excluding reporting aberrations, actual sales were down 6.3%.

Fuel and service station sales dropped 42%, slightly better than the -47% countywide trend, as statewide restrictions implemented to combat Covid-19 reduced vehicle trips and as the price of oil fell on the global market.

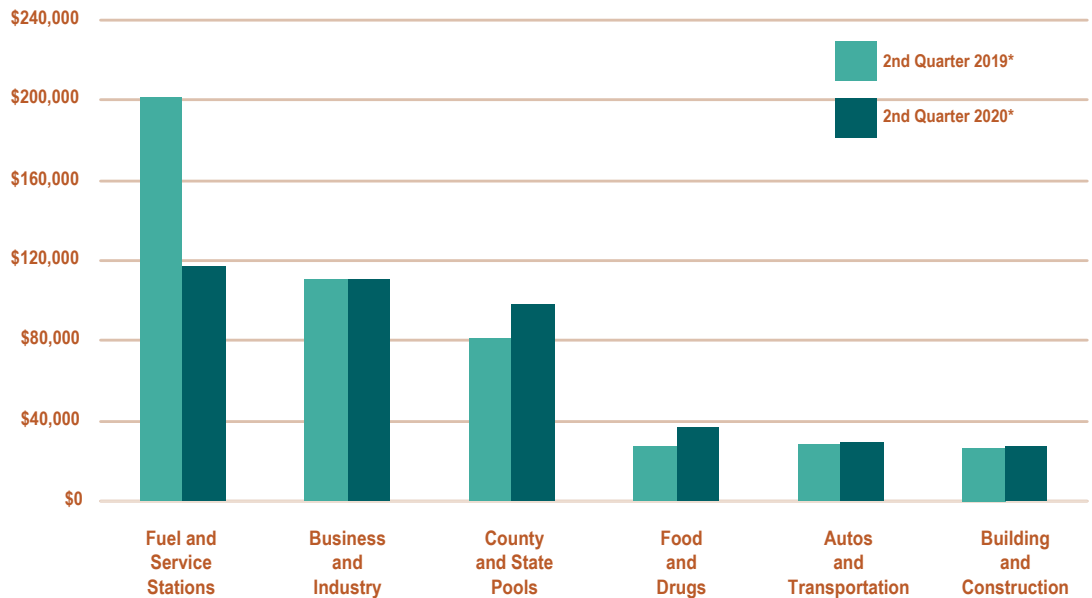
The shuttering of restaurant dining rooms also contributed to the 51% decline in receipts from casual eateries. Fast-food outlets fared better, however, as the drive-through and take-out centered service delivery model of these restaurants was less impacted by the pandemic.

Conversely, allocations from the countywide use tax pool surged 33% after a recent legislative change has allowed for the taxation of additional internet purchases and as more consumers have shifted to online shopping amid the health crisis.

Food and drug store sales were also higher as consumers stocked up on essentials.

Net of aberrations, taxable sales for all of Imperial County declined 6.7% over the comparable time period; the Southern California region was down 18.0%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Jack in the Box
AutoZone	Jordan Implement
Brawley Tractor Parts	Lidco Imperial Valley
Carl's Jr	McDonalds
Circle K	McNeece Bros Oil
Circle K 76	O'Reilly Auto Parts
Dollar Tree	Pacific Ag Rentals
Dominos Pizza	Pilot Travel Center
Elms Equipment Rental	RDO Water
Fillco	Rite Aid
HD Supply	USA Gasoline
Waterworks	Vons
Imperial Hardware	Walmart Supercenter

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$2,280,835	\$2,299,456
County Pool	339,751	523,208
State Pool	1,152	1,269
Gross Receipts	\$2,621,738	\$2,823,933

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

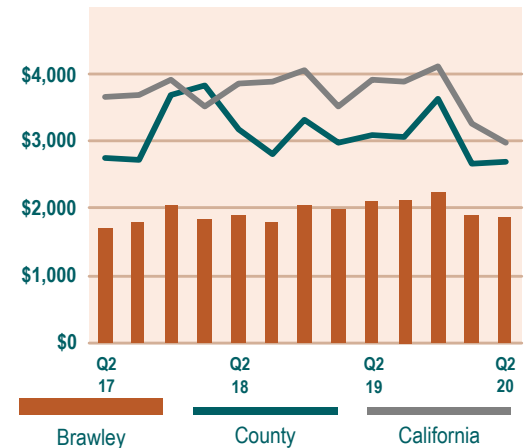
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

SALES PER CAPITA*



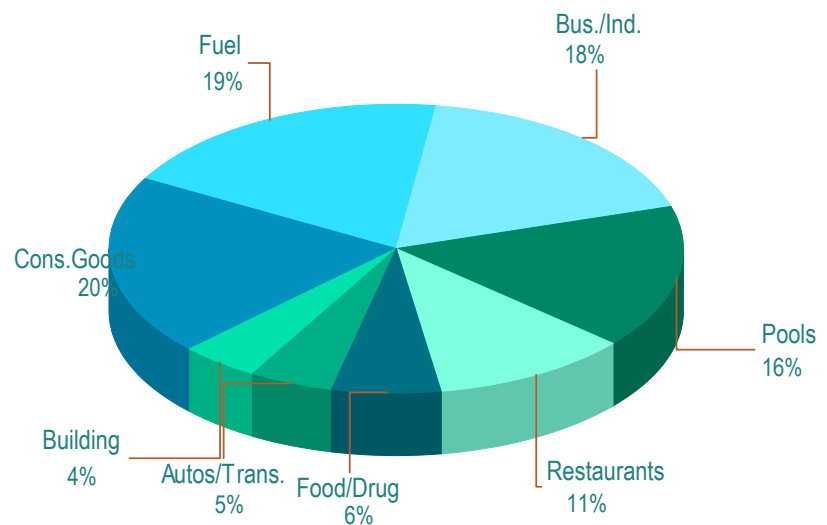
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**COUNTY OVERALL
2Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	28.7%	-6.9%
Building and Construction	140.2%	-15.1%
Business and Industry	-0.2%	28.5%
Food and Drugs	73.1%	34.4%
Fuel and Service Stations	-28.7%	-47.3%
General Consumer Goods	-25.1%	-39.1%
Restaurants and Hotels	-14.4%	-29.1%
County and State Pools	-33.6%	29.6%
Total	8.3%	-6.7%

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Brawley This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity