

Q3 2019



City of Brawley Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

Brawley In Brief

Brawley's receipts from July through September were 11.0% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were up 21.1%.

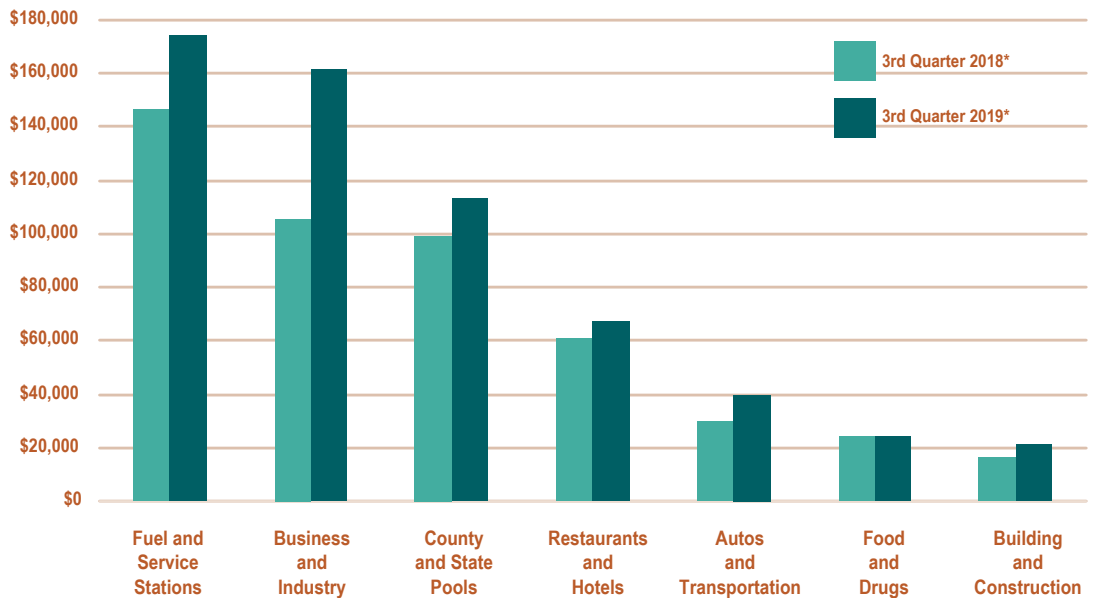
Fuel-related results were particularly impacted by year-ago double payments. Once adjusted, the rise of 18.6% was boosted by a recent addition.

Business to business transactions posted great results on an actual basis with gains in several sectors including farm and agricultural related equipment. The impressive rise of 52.6% outpaced regional trends.

New and reopened eateries accounted for the double digit increase in restaurants while a temporary sale bumped up the autos and transportation group.

Net of aberrations, taxable sales for all of Imperial County grew 2.8% over the comparable time period; the Southern California region was up 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|----------------------------|------------------------|
| 7 Eleven | Jordan Implement |
| Arco AM PM | Lidco Imperial Valley |
| AutoZone | McDonalds |
| Circle K | McNeece Bros Oil |
| Circle K 76 | Pacific Ag Rentals |
| Daniels Tire Service | Pilot Travel Center |
| Elms Equipment Rental | Prime Fuel & Mini Mart |
| HD Supply Waterworks | RDO Water |
| Imperial Hardware | Shell |
| Imperial Valley Volkswagen | USA Gasoline |
| Jack in the Box | Vons |
| Johnnys Burritos | Walmart Online |
| | Walmart Supercenter |

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

| | 2018-19 | 2019-20 |
|-----------------------|------------------|------------------|
| Point-of-Sale | \$703,836 | \$612,847 |
| County Pool | 105,569 | 107,743 |
| State Pool | 366 | 247 |
| Gross Receipts | \$809,770 | \$720,837 |

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

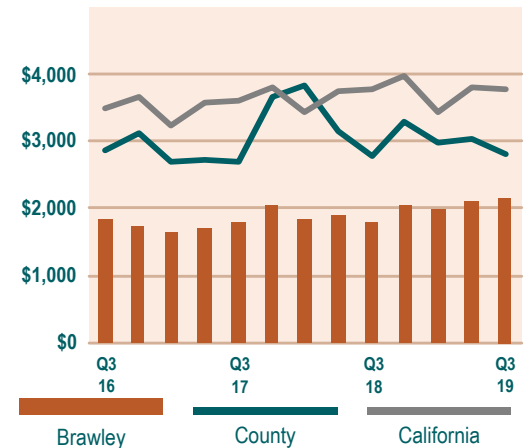
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

SALES PER CAPITA*



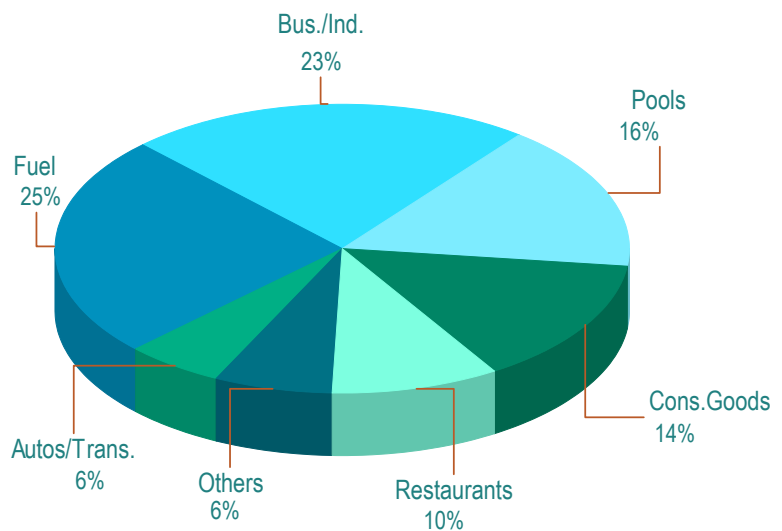
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**COUNTY OVERALL
3Q YOY RECEIPTS % CHANGE**

| Major Industry Groups | Cash | Adjusted* |
|---------------------------|---------------|-------------|
| Autos and Transportation | 0.4% | 7.6% |
| Building and Construction | 1.3% | 0.2% |
| Business and Industry | -24.2% | 2.9% |
| Food and Drugs | -5.5% | 4.9% |
| Fuel and Service Stations | -27.0% | -7.3% |
| General Consumer Goods | -13.1% | 1.2% |
| Restaurants and Hotels | -3.7% | 4.4% |
| County and State Pools | 0.0% | 11.8% |
| Total | -12.6% | 2.8% |

*Accounting anomalies factored out

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



*Allocation aberrations have been adjusted to reflect sales activity