

Q3 2018



City of Brawley Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Brawley In Brief

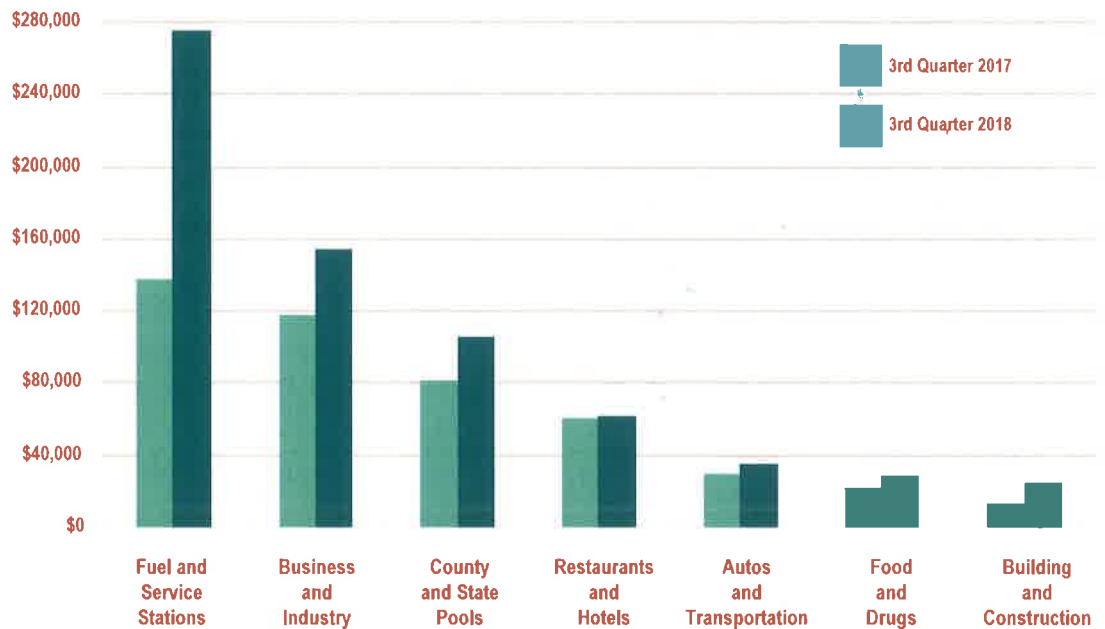
Brawley's receipts from July through September were 45.0% above the third sales period in 2017 though results were skewed by catch-up payments owed from last quarter that had been delayed by the State's recent transition to a new software and reporting system. The double-up allocations inflated numerous categories, particularly fuel and service station outlets, warehouse/farm and construction equipment vendors, merchants of general consumer goods and allocations from the countywide use tax pool. Adjusted for proper payment timing, revenue was up 4.7%.

The leading factor in the real economic improvement was higher receipts from local fuel and service station outlets, which grew in concert over the last year with the price of petroleum products. The cost of oil in the global marketplace increased from around \$50 per barrel last year to \$70 in the third quarter of 2018.

A new business-industrial also boosted returns.

Net of aberrations, taxable sales for all of Imperial County grew 2.6% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Northend Auto Parts
AutoZone	Ojeda Industries
Brawley Tractor Parts	OK Rubber Tires
Circle K 76	Pacific Ag Rentals
Del Taco	Prime Fuel & Mini Mart
Exxon	RDO Water
HD Supply Waterworks	Shell Station Market
Imperial Hardware	Torrences Farm Implements
Jack in the Box	USA Gas
Johnnys Burritos	Vons
Jordan Implement	Walmart Online
Lidco Imperial Valley	Walmart Supercenter
McNeece Bros Oil	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$477,194	\$703,836
County Pool	80,949	105,569
State Pool	384	366
Gross Receipts	\$558,527	\$809,770

California Overall

The CDTFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

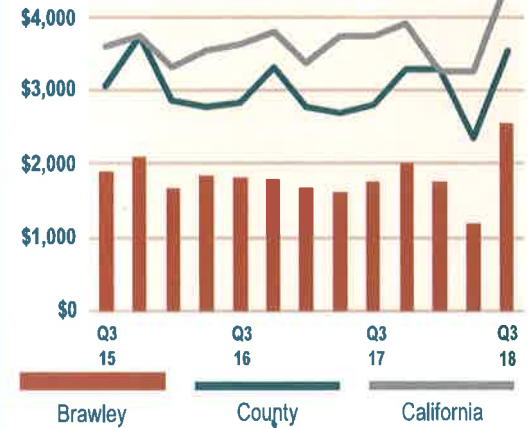
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

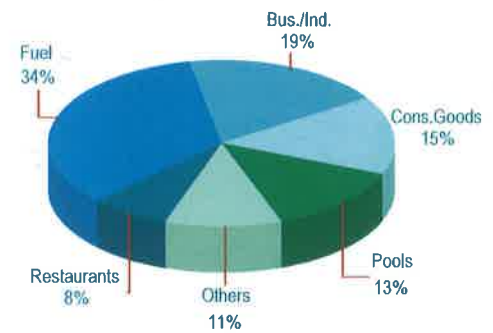
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Brawley This Quarter



BRAWLEY TOP 15 BUSINESS TYPES

Business Type	Brawley		County	HdL State
	Q3 '18	Change	Change	Change
Auto Repair Shops	6,722	3.7%	17.6%	14.5%
Automotive Supply Stores	27,361	32.3%	12.2%	8.4%
Building Materials	— CONFIDENTIAL —		22.3%	29.8%
Casual Dining	15,242	21.6%	36.2%	15.0%
Convenience Stores/Liquor	9,274	33.3%	22.9%	20.3%
Discount Dept Stores	— CONFIDENTIAL —		21.5%	18.3%
Electronics/Appliance Stores	8,057	168.3%	7.2%	12.7%
Garden/Agricultural Supplies	— CONFIDENTIAL —		-7.7%	9.6%
Grocery Stores	9,723	16.1%	4.0%	16.1%
Petroleum Prod/Equipment	— CONFIDENTIAL —		-2.8%	25.8%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		29.7%	15.3%
Quick-Service Restaurants	46,392	-3.3%	10.0%	13.5%
Repair Shop/Equip. Rentals	12,460	166.4%	36.0%	36.4%
Service Stations	140,281	76.9%	81.4%	42.9%
Warehouse/Farm/Const. Equip.	79,366	63.3%	85.4%	38.6%
Total All Accounts	703,836	47.5%	28.9%	21.8%
County & State Pool Allocation	105,935	30.2%	13.8%	27.8%
Gross Receipts	809,770	45.0%	26.7%	22.6%