

CITY OF BRAWLEY

SALES TAX UPDATE

4Q 2023 (OCTOBER - DECEMBER)



BRAWLEY

TOTAL: \$ 972,591

1.2%
4Q2023



5.8%
COUNTY

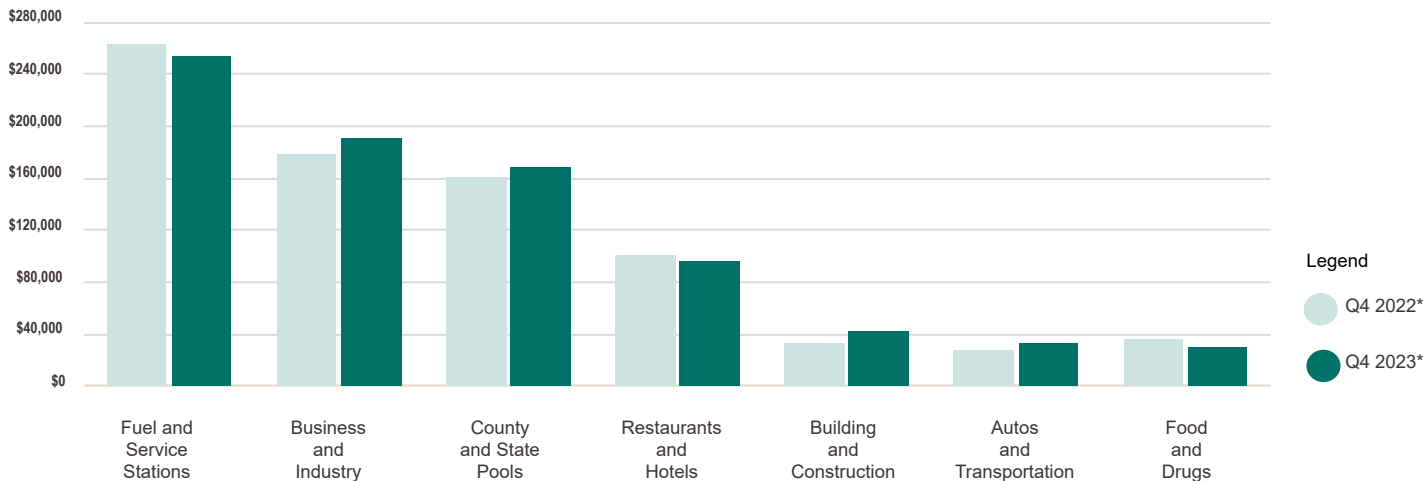


-2.5%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF BRAWLEY HIGHLIGHTS

Brawley saw a 6.8% increase in receipts from October through December compared to the fourth sales period in 2022. However, this boost was largely due to delayed payments from a warehouse and farm construction equipment supplier in the previous year, making for an easy comparison. Adjusting for such anomalies, actual sales only rose by 1.2%.

The main contributor to this growth was a surge in tax receipts linked to the sale of heavy industrial equipment. Unfortunately, much of this increase stemmed from a misallocation error from another jurisdiction. Nonetheless, a local entity's significant purchase of heavy industrial equipment from an out-of-state vendor positively impacted this quarter's results.

The aforementioned error inflated the City's share of the countywide use-tax

pool since funding is distributed among local agencies based on proportional cash receipts. Consequently, Brawley's receipts were higher compared to most other jurisdictions in the County this quarter.

Other positive developments included a rise in tax revenue from building and construction suppliers, as well as increased tax proceeds received from automotive supply stores and auto repair shops, reflecting consumers' efforts to extend the lifespan of their vehicles amid economic pressures.

However, revenue from fuel and service stations declined due to lower prices of petroleum products on the global market.

Overall, taxable sales for all of Imperial County grew by 5.8% over the same period, while the Southern California region experienced a 2.0% decline.



TOP 25 PRODUCERS

- | | |
|-------------------------|------------------------|
| Arco AM PM | Pilot Travel Center |
| AutoZone | Prime Fuel & Mini Mart |
| Brawley Ace Hardware | RDO Water |
| Circle K Gas | Risco USA Corp |
| Circle K Shell | Vons |
| Dollar Tree | Walmart Supercenter |
| Elms Equipment | |
| HD Supply Waterworks | |
| Jack in the Box | |
| Johnnys Burritos | |
| Jordan Implement | |
| KC Welding & Rentals | |
| Las Chabelas Restaurant | |
| Lidco Imperial Valley | |
| Little Caesars | |
| McDonald's | |
| McNeece Bros Oil | |
| O'Reilly Auto Parts | |
| Pacific Ag Rentals | |



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women’s apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

Even though revenue from most major

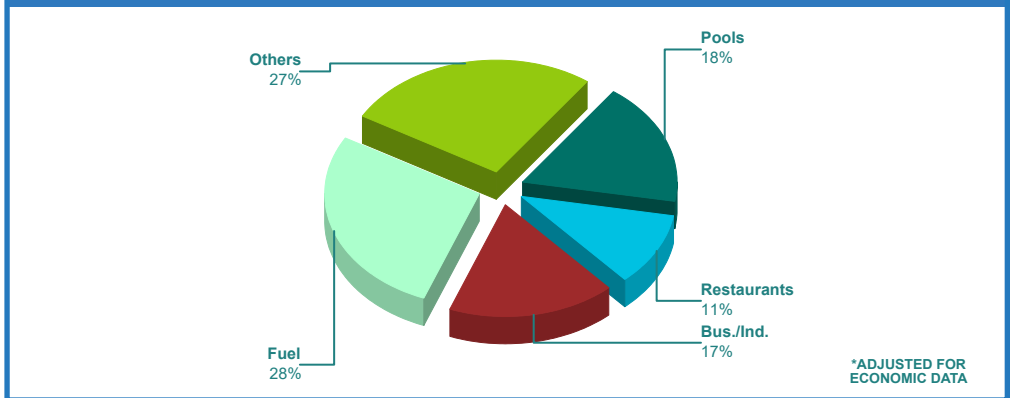
sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for ‘fast food restaurants’, on April 1, 2024.

Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady, pool collections contracted with more taxes allocated directly to local agencies via in-state fulfillment and through

existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

REVENUE BY BUSINESS GROUP Brawley This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Brawley Business Type	Q4 '23	Change	County Change	HdL State Change
Service Stations	159,505	-4.0% ↓	-6.4% ↓	-4.9% ↓
Warehse/Farm/Const. Equip.	95,443	-12.7% ↓	7.0% ↑	1.9% ↑
Quick-Service Restaurants	74,931	1.5% ↑	1.1% ↑	0.4% ↑
Repair Shop/Equip. Rentals	38,943	12.2% ↑	-14.7% ↓	-7.3% ↓
Heavy Industrial	35,277	599.6% ↑	-40.2% ↓	-8.7% ↓
Automotive Supply Stores	23,659	14.1% ↑	-5.4% ↓	-2.3% ↓
Casual Dining	19,581	-11.3% ↓	-3.2% ↓	1.8% ↑
Auto Repair Shops	9,817	23.7% ↑	8.8% ↑	-3.0% ↓
Convenience Stores/Liquor	5,814	-3.7% ↓	1.4% ↑	-7.7% ↓
Electronics/Appliance Stores	4,706	-34.1% ↓	4.2% ↑	-7.7% ↓

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