

City of Coalinga

**PROPOSAL FOR
SALES AND USE TAX AUDITING AND
MANAGEMENT SERVICES**

January 9, 2020

HdL[®] Companies

SUBMITTED BY

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I. LETTER OF TRANSMITTAL

January 9, 2020

Jasmin Bains
Financial Services Director
City of Coalinga
155 W. Durian Avenue
Coalinga, California 93210

RE: Sales and Use Tax Services

As President of Hinderliter, de Llamas and Associates (HdL), I currently have over 25 years of experience working with local agencies on proactive programs for revenue enhancement, business cooperation, revenue forecasting and analyzing legislative proposals that would impact local agencies receipts of taxes and fees.

Founded in 1983, HdL has been providing revenue management services to California local governments for 35 years. The firm currently serves over 500 local government agencies in six states and has recovered more than \$2 billion in revenue for our clients. Our team has extensive finance, economic development, and local government experience. We use this expertise to analyze the City's tax data in detail and provide relevant, useful and timely information to support your financial strategies and business retention/expansion programs. Our highly focused and accurate budget forecasts have proven to be particularly valuable for financial planning.

HdL's approach to maximizing local revenues offers the following advantages:

- HdL's sales and use tax forecasts that result in estimates that fall within 1% of actual receipts two-thirds of the time.
- A sophisticated economic support program providing special reports and data to assist the City in monitoring and leveraging existing economic programs, identify new revenue opportunities and maximizing use tax revenues.
- Relevant, timely and ongoing staff support by a team with decades of experience in municipal finance and budgeting, economic development and maximization of sales and use tax revenues.
- The largest and most complete sales tax database in California structured in a manner to allow more thorough revenue audits, accurate budget forecasts and identification of emerging economic trends and opportunities.
- A user-friendly web-based sales tax application and reporting capability that provides clients with immediate and convenient access to the most up-to-date sales tax information available.
- An unparalleled reputation for providing quality services promptly and efficiently. A review of our performance with the included references will affirm HdL's reputation for providing business-friendly and cost-effective recovery of misallocated or uncollected revenues, as well as, timely and relevant reports, analysis and management support.

Thank you for the opportunity to present this proposal to the City of Coalinga. We look forward to reviewing the proposal with you in more detail and demonstrating how HdL can enhance the City's bottom line. Please feel free to call if you have questions or need additional information. I can be reached at 714.879.5000 or by email at anickerson@hdlcompanies.com.

Sincerely,



Andy Nickerson

II. QUALIFICATIONS

A. Company History and Qualifications

Founded in 1983, HdL Companies was established to maximize local government revenues by providing a variety of audits, analytical services and software products. Hinderliter, de Llamas and Associates (HdL), a 100% employee owned company, provides audit and consulting services for sales, use and transaction taxes. The firm developed California's first computerized sales tax management program and was responsible for securing legislation (AB 1611) that allowed independent verification of state allocations. In 1990, HdL Coren & Cone was established to provide audit and information services related to property taxes. The third affiliated company, HdL Software, was formed in 1996 to provide a variety of innovative software processing tools for business licensing, and other city revenues. HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 500 agencies in six states.

HdL maintains the largest privately held sales, property and business tax databases in California. The firm constantly improves and enhances the California Department of Tax and Fee Administration (CDTFA) raw registration data by correcting addresses and business names, differentiating brick and mortar retailers from business to business and online taxpayers and adding new business classifications to better identify emerging trends and economic opportunities. This highly enhanced database includes 27 years of the City of Coalinga's sales tax history and serves as the base for identifying emerging economic trends and developing budget projections that take those trends into account.

The database also includes constantly updated registration data for every seller in California, allocation data for 502 of the state's 538 agencies and 157 transactions tax districts, business license data for 668,000 businesses, property tax data for every jurisdiction in the 38 largest counties, a constantly updated automated telephone directory for all of California and thousands of business contacts developed through three decades of audit and business development activity.

HdL monitors an annual sales tax base of \$4.9 billion on behalf of California clients that encompasses incredibly complex industrial, e-commerce, inventory/delivery, and out-of-state sales and use tax issues. The Company submits an average of 6,000 errors for correction each year with a total value generally ranging from \$40 million to \$50 million. To date, HdL has recovered a cumulative total of \$2 billion in new sales and use tax revenues for client agencies.

HdL is proud to have served local governments and special districts for over 35 years. During that span of time, HdL has grown from one employee to over 150 employees. In 2007, HdL's employees purchased the corporation from the founding partners and the company is now 100% employee owned. This structure provides every employee a personal investment in serving our clients. Rather than focusing on short-term quarterly profits to appease stock market investors, our employee-owners believe in a long-term strategy of continually investing in new technology, databases and service upgrades to support our client's needs for precise auditing, budgeting and economic information. This approach has led to the steady long-term growth, financial stability, capacity and resources that Coalinga requires from its vendors.

The firm goes beyond audits by using its databases and expertise to help clients expand their revenues by identifying economic voids; finding local companies that can restructure the way orders are taken to increase local tax revenues; ascertaining opportunities for expanding use tax from construction projects; seeking prospects for direct payment permits and purchasing corporations and by providing staff expertise to support a proactive and effective approach to short and long term fiscal and economic planning.

HdL is a Corporate Partner of the League of California Cities and California State Association of Counties and works extensively with the State Association of County Auditors, California Society of Municipal Finance Officers (CSMFO) and California Municipal Revenue and Tax Association (CMRTA) on anticipation and planning of programs to strengthen local government revenues.



III. KEY PERSONNEL

HdL retains a staff of over 100 trained and experienced specialists for performing audits, analysis and software support. Below is a current listing of our sales tax management team:



Andrew Nickerson – President

Andy Nickerson possesses over 25 years of experience working with cities, counties and special districts on programs to enhance tax revenues, ensure regulatory compliance and provide accurate revenue forecasting and financial planning. Throughout his career he has been instrumental in guiding market expansion and new product development for the HdL Companies. In his tenure as President/CEO of HdL, Mr. Nickerson has led this employee owned company from an established regional firm to a multi-state, multi-service corporation admired for its commitment to quality and client service. With a broad range of experience in leadership, finance, public policy, and taxation, he is a trusted adviser to local government leaders and is known for possessing high standards for responsiveness, accuracy and integrity. Throughout his career, he has been involved in various municipal organizations including The League of California Cities, California Society of Municipal Finance Officers, State Association of County Auditors, California State Association of Counties, Texas Municipal League and Government Finance Officers Association. Mr. Nickerson earned a Bachelor of Science degree (Finance & Real Estate Law) from California State Polytechnic University, Pomona.

Sales and Use Tax Management Team

HdL provides the City of Coalinga with a team approach of three sales and use tax principals that will provide the City with sales tax, budget and revenue management services. The team will advise the City on economic development opportunities, including analyzing the City's sales tax data for presentations and preparing sales and tax revenue estimates of various terms up to five years. A principal will also meet with City staff quarterly to present the City's quarterly reports and address any issues or concerns.

Providing these services to the City are:



Bobby Young – Ext. 384 byoung@hdlcompanies.com

Mr. Young has over 20 years of local government experience. As a Director of Client Services, he leads the team in developing reporting advancements and efficiencies for clients along with providing meaningful presentations regarding both Sales Tax and Transaction Tax Districts. Prior to joining HDL, he served the City of Costa Mesa for 13 years, the last 5 as Finance Director. During the majority of his tenure, he led the City's strategic financial planning and decision making and fulfilled the duties of City Treasurer. He has also spent time as an external auditor of government and non-profit entities specializing in assessment and documentation of internal controls and annual review and preparation of client's Comprehensive Annual Financial Report (CAFR). He's been an active member in municipal affairs with both the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO), and holds a Bachelor's degree from California State University, Fullerton in Accounting.



Wayne Padilla – Principal

Mr. Padilla has over 31 years of public sector experience having served in management positions in the cities of Madera, Chowchilla, Modesto, and San Luis Obispo. He possesses a wealth of knowledge covering municipal finance, city governance and budgeting and is still sought after to advise local governments on various issues. Mr. Padilla holds a Bachelor's degree in Accounting from California State University, Fresno and has been active in municipal affairs at regional and state levels. He began his career working in the government audit section of KPMG Peat Marwick and became a Certified Public Accountant in 1989.



Ken Nordhoff - Principal

Mr. Nordhoff has over 25 years of local government experience serving in various leadership roles including Administrative Services Director, Assistant City Manager and as City Manager in both San Rafael and Walnut Creek. During his tenures, he was responsible for a broad range of budgeting, performance management and long-range financial planning functions. His knowledge includes strategic planning and economic development plus contributing expertise on various regional JPA Boards. Prior to his local government service, he spent several years in the private sector as a Certified Public Accountant conducting municipal audits. Mr. Nordhoff is an active member of ICMA, the California City Management Foundation and the League of California Cities. He is a former City Manager's Department Officer, recipient of the prestigious John H. Nail award and served on the Revenue and Taxation Policy Committee. He holds a Bachelor's degree from California State Polytechnic University, Pomona in Accounting.



Susie Woodstock - Principal

Ms. Woodstock has been a municipal executive for more than 25 years with experience in accounting, engineering and public works. Most recently she was the Administrative Services Director at the City of Newark where she oversaw accounting, IT, waste management and recycling. With Professional Engineer Certifications in the states of California and Washington, she was also the Public Works Maintenance Superintendent at the City of Newark, a development engineer at the City of Fremont and a bridge engineer in Spokane, Washington. Susie is also a member of the California Society Municipal of Financial Officers (CSMFO) and Government Finance Officers Association (GFOA). Ms. Woodstock earned a bachelor's degree in civil engineering from California State University, Chico and a second bachelor's degree from Whitworth University in Organizational Management.

Audit Services Team

Our Director of Audit Services and Associate Director of Audit Services have over 35 years combined experience auditing local tax, place of sale and CDTFA administrative issues. The firm has continually adapted to legislative changes, CDTFA regulation changes, and

technology advances and will utilize these tools for the City of Coalinga. HdL has an audit team in place that is very well trained and familiar with the state regulations and guidelines concerning tax reporting for the City.



Matt Hinderliter – Director of Audit Services

Mr. Hinderliter leads HdL's Audit Service Team. He joined the firm in 1990 after receiving his Bachelor of Arts degree in Business Administration from California State University, Fullerton, and during his 28-year tenure has directly participated in all aspects of the HdL's comprehensive audit program. This includes field canvasses, in-house analysis of quarterly distribution reports and county pool data, and the presentation of appeals before the CDTFA legal division and the elected Board members. Mr. Hinderliter is the author of an extensive audit training manual, including in-depth information regarding complex point of sale issues, as well as updates regarding proposed changes in legislation and regulations. He created the State's first multi-dimensional audit process, which includes extensive in-house data mining and web-based analysis combined with field surveys. As Director of the Audit Team, he is responsible for quality control, and for ensuring that HdL's audit techniques and programs remain at the industry's leading edge through continuous innovation and improvement.



Production Services Team

Our Production Team insures that the data from the CDTFA is processed in an accurate and timely manner and is available to the City on our sales tax web application. The team is responsible for running the reports that are delivered at the quarterly meetings with the City staff, as well as processing any special report requests.



Robert Gray – Director of Information Technology

Mr. Gray serves as Director of Information Technology and has been with the firm since 1996. He has extensive experience in the design, development, implementation and support of software systems for local government. To date, he has played a key role in the design of eight software systems and approximately 200 successful implementations of those systems. He earned a Bachelor of Science degree in Computer Science and a Master's degree in Business Administration from Azusa Pacific University.



Mary Hubbell – Manager of Production Services

Ms. Hubbell supervises the conversion of the California Department of Tax and Fee Administration sales tax data to HdL's proprietary software and its subsequent translation into various client reports. She assists with client technical support and is responsible for the production of client newsletters and reports. Ms. Hubbell received a Bachelor of Science degree in Administration and Marketing from the University of Arizona.

IV. REFERENCES

Sales and Use Tax Services – HdL

HdL currently provides sales, use and district tax services in California to 45 counties, 379 cities and 173 transactions tax districts.

City of Atascadero

Project Description: HdL currently provides sales, use and transactions tax audit and management services.

Contact: Jeri Rangel, Administrative Services Director, 805.461.5000

Email: jrangel@atascadero.org

City of Lemoore

Project Description: HdL currently provides sales and use tax audit services

Contact: Michelle Speer, Assistant City Manager, 559.924.6700

Email: mspeer@lemoore.com

City of Paso Robles

Project Description: HdL currently provides sales, use and transactions tax audit and management services.

Contact: Marlaine Sanders, Administrative Services Director, 805.237.3888

Email: msanders@prcity.com

City of Taft

Project Description: HdL currently provides sales and use tax audit and management services

Contact: Teresa Binkley, Director of Finance, 661.763.1350 x18

Email: tbinkley@cityoftaft.org

V. SCOPE OF SERVICES

A. Sales and Use Tax Services

Using confidential taxpayer records as authorized by Revenue and Taxation Code Section 7056, HdL will find and correct errors that result in underpayments of tax to the City of Coalinga. The firm will employ a series of analyses, comparisons with other data sources and physically canvassing the City to find, document and submit for correction all taxpayer errors that result in lost City revenue or could result in lost revenue in the future. When errors are found, HdL staff will promptly file claims for their correction following CDTFA procedures and regulations. Thereafter, HdL will diligently work with the CDTFA to ensure the prompt recovery of all escaped revenues. Documentation of errors will be regularly provided to the City.

In conducting these activities on behalf of the City, HdL will provide reports that accurately depict the City's sales tax base, use tax collections and revenues. All reports, graphs, tables and revenue forecasts are designed to enhance the City's capacity to plan for, expand and manage its various sales use and district tax revenues. Reports identifying and comparing the retail composition of various sub-geographic-areas of the City will also be provided.

1. Audit Method and Approach

To achieve the highest audit and recovery results, HdL employs the following audit techniques and programs:

a. Identification of Errors and Revenue Maximization Opportunities

Field Surveys: Field inventories of the City's business and industrial areas are conducted every 10-12 months to identify businesses located within the City that appear to be under-reporting revenues or are not on the CDTFA allocation rolls. Specially trained field auditors, using the latest in mapping, GPS and digital recording technology, document not only the existence of sales tax producing businesses but also any relevant factors such as size, presence of a large stock of goods, will-call windows and any specific references to sales activity. This process identifies a wide range of registration errors including erroneous consolidation of multiple outlets, misreporting of point of sale from an erroneous location and delays in reporting new outlets.

Tax Area Code (TAC) Review: HdL reviews every active account on the CDTFA's allocation rolls reporting \$50 or more in local tax to ensure proper TAC assignment. Government and private sector property tax mapping and GIS databases are used extensively in this process. These programs are important because physical canvassing will not reveal businesses with missing or incomplete signage, or those that are home-based. A complete TAC review is performed at least once every 9-12 months.

Deviation Assessment: Each quarter, HdL applies proprietary queries and analyses to its statewide allocation database to identify *all* accounts for which there has been a substantial change in allocation pattern. HdL's database, unmatched in size, comprises over 99.8% of all sales and use tax transactions in California and allows for the most comprehensive audits in the state. The review is applied to direct allocations and to the county pools and allows for a much broader view and understanding of what has happened in any given quarter. Well-founded leads are quickly extracted from this process, often without the need for time-consuming manual reviews of taxpayer files. This allows for faster processing and less time used for preparing submittals.

This in turn lowers recovery fees by reducing the amount of prior quarter revenue requiring redistribution.

Use Tax Errors and Opportunities: HdL analyzes the use tax allocation pools of the 58 counties and the state each quarter to identify instances where a taxpayer may have misidentified a transaction as use tax rather than sales tax. Further specialized reviews and techniques are employed to identify direct allocation opportunities of local use tax. CDTFA Regulation 1802(d) allows for direct allocation of local use tax on qualifying individual sales or purchases over \$500,000. Out-of-state and foreign-based companies in particular often have large transactions that meet the criteria for direct allocation under this section. Under Regulation 1699.6, businesses and organizations (including local government agencies) with aggregate purchases subject to use tax of least \$500,000 per year can apply for a Use Tax Direct Payment Permit, allowing for direct allocation of the corresponding local share. Finally, under a resolution adopted in December 1994, a construction contractor who enters into a contract equal to or greater than \$5,000,000 may elect to obtain a sub-permit for the jobsite resulting in a direct allocation of local use tax to the jurisdiction where the jobsite is located.

Regulation 1699 Evaluations: CDTFA Regulation 1699 controls when and where a permit should be issued to a given business location. Wholesalers, contractors, processors, manufacturers, and other non-retail businesses that do not normally sell merchandise often conduct occasional sales, self-accrue use tax or are levied deficiency assessments by the state. HdL uses proprietary methods for finding companies that should be taking out permits so that those revenues are allocated to the City.

b. Recovery of Misallocated Revenue

Development of Correction Data: Preliminary lead lists developed through the audit programs are further refined using a variety of programs and databases to reduce the need for taxpayer contact. Companies remaining in the audit database are then contacted by a specialized audit unit whose members are specifically selected and trained to interview tax preparers and marketing, warehouse and management staff. ***Taxpayer interviews are always conducted in a business friendly, non-intrusive manner that emphasizes cooperation and protection of confidentiality.***

Documentation: Telephone contacts are often accompanied by a written follow-up questionnaire concerning business activities, a specific one-time transaction or a written confirmation of our findings. This documentation is always filed with the petition to minimize CDTFA processing time. Solid documentation and follow-up lowers client fees by reducing the number of quarters requiring retroactive adjustment and ensures faster recovery of misallocated revenues.

City Review: To avoid potential conflicts with a City's in-house audit efforts, HdL provides a list of misallocated or under-reporting businesses for City officials to review and authorize prior to any invoicing. This line item, account-level approval process is an important step in eliminating any misunderstandings or disagreements regarding what may be considered a valid audit "find."

Preparation and Submittal of Corrections: Petitions are prepared (CDTFA Form 549-S or 549-L) that notify the CDTFA the existence and nature of the misallocation. All relevant and available supporting documentation is included. Copies of all transmittal forms and correspondence with the CDTFA and taxpayers are sent to City staff.

Continuous Follow-up: HdL employs a full-time case manager whose responsibility is to monitor and follow-up on case inventory. An aging report is updated and reviewed on a monthly basis and the appropriate follow-up is initiated on cases that are taking an inordinate amount of time to correct. This follow-up emphasizes partnership and cooperation with CDTFA Allocation Group staff. HdL's continuous efforts to check on the status of submittals are made to ensure that corrections are being pursued. Timely follow-up on cases reduces the time it takes for the City to recover its revenue.

Appeals: HdL cases are thoroughly researched, vetted and documented *prior to* submittal. This ensures the fastest possible processing times and reduces the number of cases that are initially disclaimed and must be further researched and defended through a very lengthy CDTFA appeals process. Nearly all HdL cases are resolved favorably at either the first or second levels of the CDTFA petition process described in Regulation 1807. HdL has cultivated close working relationships with the CDTFA Appeals Division. When an appeal is required, HdL has the necessary expertise and access to competently and aggressively represent client interests. Having many cases on appeal may be presented by some vendors as evidence of a more sophisticated and aggressive audit program. It should be viewed, however, as an indication that inadequate supporting documentation tends to require more case appeals and lead to otherwise unnecessary procedural delays.

c. Track Record

HdL is effective in recovering misallocated revenue for client agencies in 97% of all cases submitted to the CDTFA. The small number of cases that do require an appeal is evidence of HdL's thorough research and the quality of the well-documented information included to support claims.

2. Sales and Use Tax Management Services

a. HdL Database, Reports and Training

HdL maintains Coalinga's detailed sales tax data back to 1992 and will provide City staff with unlimited access to its quarterly updated web-based sales tax system to facilitate "in-house" analysis and printing of reports. The system allows City staff to search, print and export their sales tax data for a variety of financial, management and planning functions. The system provides the ability to search all sales tax producers in the City by business name, address, CDTFA account number and current or historical sales tax allocations. The web application also provides access to the City's archived quarterly sales tax reports. Data is easily queried and exported to either comma delimited or native Excel formats, allowing for convenient use with standard applications such as the Microsoft Office suite. The web application is accessible from all major operating systems, internet browser platforms, and device types (laptop, tablet, PC, mobile). The City's archived quarterly sales tax reports can also be accessed through the online sales tax application.

HdL's geo-area feature supports use of address ranges, which ensures the inclusion of all appropriate CDTFA registrations and allows City staff to create and modify geo-areas without a separate GIS system. HdL also supports interfacing with the City's GIS by including accurately geocoded latitude and longitude for each business. This data can include all data fields including historical allocation information and can be quickly exported by City staff on demand using HdL's Sales Tax Web Application.

Additionally, City created shape files can be used to define a Geo-area, which would identify related businesses by latitude and longitude. Training on use of the software and ongoing upgrades is provided at no additional charge.

Quarterly sales tax reports are provided on both a cash and adjusted basis. Cash reports reconcile to CDTFA payments and are necessary for any revenue sharing agreements that the City might have in place. The adjusted reports shift payment aberrations (double-up payments, CDTFA audit adjustments, etc.) into the quarter where the sales occurred to accurately show the City's true economic trends. The quarterly sales tax data will be presented in reports for major sales tax producers by both rank and category, analysis of sales tax activity by category, business or areas specified by the City.

HdL's quarterly sales tax reports include a listing of top sales tax producers and comparisons with both regional and statewide trends. Retailer information is provided in grouped form or in business by business detail. Quarterly information will also include tables that track year-to-date receipts and show comparisons with past periods to measure progress toward achieving the City's annual budgeted revenue amount. HdL staff also prepares sales and use tax projections for proposed development projects, responds to technical questions relating to CDTFA processes and regulations, and monitors revenue sharing agreements.

HdL's services are superior to other vendors because the firm provides data analysis instead of bound stacks of raw data printouts. The analysis is done in context with regional market areas, countywide and statewide trends to better monitor and compare the City's economic performance by business category and geographical area. A non-confidential newsletter is included to support management's efforts to inform and engage the public.

Analysis of sales and use tax data and presentations to City staff are led by seasoned professionals, whose experience and knowledge adds value by identifying emerging retail trends, business retention needs, leveraging of economic clusters and reviewing successes in client jurisdictions with similar characteristics. HdL staff also prepares sales and use tax projections for proposed development projects, responds to technical questions relating to CDTFA processes and regulations, and monitors revenue sharing agreements.

b. Budget Projections and Monitoring

HdL has developed a comprehensive, detail-oriented method for projecting and monitoring client sales and use tax revenues that has proved to result in estimates that fall within 1% of actual receipts two-thirds of the time. Initial and mid-year projections are made by factoring out payment aberrations that skew the base revenue and factoring in known changes such as new or closed businesses. HdL also incorporates information from over 90 economic sources as well as information gathered from client meetings to develop economic factors to apply to individual retail business segments; the results are combined into a single estimate of anticipated revenue. HdL further enhances its projections by contacting builders of large-scale development projects to better time and estimate the value of potential use tax payments into its estimates. **Five-year forecasts are also provided.**

c. Use Tax Maximization Program

Major construction projects and even ongoing business operations often generate significant use tax revenues from purchases of machinery, equipment and other fixed assets. HdL has worked with numerous clients to ensure that use tax from manufacturing and assembly plants, food processing, cold storage facilities, power/energy projects, medical, research and technical facilities, oil fields/refineries and extraction/mining industries are properly allocated to the host jurisdiction.

HdL's sales tax team includes a staff of specialists who review new business startups that might present potential self-assessed use tax opportunities, meets with contractors to advise on sub-permits and reporting procedures and provides materials and advice on purchasing companies and direct payment permits. The firm monitors major construction projects to make sure that any use tax generated is properly allocated to the job site's host jurisdiction.

When brought into a project early, HdL assists clients with inserting provisions in conditional use permits and development agreements to guarantee that use tax maximization procedures are followed and monitors projects and subcontractors to make certain that sales tax is properly allocated back to the client jurisdiction. Direct payment permits and purchasing corporations can sometimes be utilized where conditions offer mutual opportunities for the client agency to capture additional sales tax revenues and the participating company can increase control of sales and use tax liabilities.

d. Economic Development Benefits

When properly refined and organized, sales tax data analysis is an important tool for strengthening and expanding local economies. The data shows companies that are growing and may need expansion space and should be contacted as part of an agency's business retention program.

When broken out geographically, the data produces patterns of industries that potentially share common customers, suppliers, technology and labor and therefore offer opportunities for attracting new businesses. The data further exposes retail areas that may be over saturated in some retail segments while also identifying voids and opportunities for additional retail development.

Although numerous companies and agencies use the CDTFA's published data as a basis for analysis, the results are usually inaccurate and misleading due to address and business categorization errors in the data. To correct those deficiencies, HdL performs data validation and scrubbing techniques on an ongoing basis, fixing business addresses and re-categorizing merchants to differentiate brick and mortar retailers from "business to business" suppliers and on-line retailers.

The company further creates and groups businesses into additional categories and classifications, not provided by the CDTFA, to better track new and emerging economic trends. Samples include the breaking out of biotech/medical suppliers, online fulfillment centers, alternate energy and utility providers, wineries and marijuana dispensaries. This focused approach to data management allows agencies to more accurately compare the impact of trends in their jurisdiction with state and regional trends. On a regional basis, it also allows for the identification of true economic voids and opportunities to expand the City's tax base.

Accurate addressing allows for improved performance monitoring and comparison of specific economic areas such as shopping centers, downtown districts and auto malls with similar projects throughout California.

In addition to using our large database, HdL's principals leverage their experience analyzing client data throughout California to identify new trends and developments that might help other clients. The service includes analyses to identify retail voids and opportunities and an annual publication of retailers seeking expansion in the region and state.

e. Legislative Updates

HdL prepares Legislative Updates for clients to keep them informed on any changes that may impact local revenues. The firm also provides Issue Updates which are similar in nature but deal with specific issues such as Sales Tax Participation Agreements. Each issue is presented in detail so that Agency staff is better equipped to handle questions on that topic from their community leaders.

The firm also retains Rebecca Marcus as a lobbyist to represent client interests in matters before the CDTFA and the state legislature. With over 20 years of experience in state and national politics, Rebecca has developed the necessary institutional knowledge and established relationships to effectively advance clients' interests in Sacramento. As a Chief of Staff for 13 years in the California State Assembly for several distinguished Members including Assembly members Mark Stone, Mike Feuer and Johan Klehs, Rebecca successfully advanced legislation across a diverse array of policy areas. As a result, over 100 of these Members' bills became law ranging from landmark green chemistry legislative to a transformative transportation tax.

f. Consultation

Quarterly, a principal of the firm analyzes the City's data in detail and meets with appropriate City officials to review trends and discuss and make recommendations regarding the budget implications of the year's data.

HdL also serves as "on-call" staff to provide sales tax estimates for proposed projects, assist with budget projections and answer sales and use tax questions related to economic development, budgeting and related revenue collection. When requested by the City, principals also meet with committees of the City Council and other groups to explain sales tax regulations and their importance to the City's tax base.

HdL will, when requested by the City, conduct technical seminars for City personnel on California sales and use tax processes. To support in-house efforts to maximize use tax, the seminars will cover the fundamentals of direct payment permits, purchasing corporations and maximizing "use tax" from construction projects.

HdL maintains close and positive relationships with members of the CDTFA and staff to quickly resolve policy issues unique to individual clients. The firm also advocates regulation and legislative changes when they are of benefit to all clients. Examples are the Company's work in the change of allocation of "use tax" for major construction projects, securing an Executive Order from the Governor to allow publishing of top taxpayers in public documents and the introduction of the problem of "point of sale" for warehouses to the CDTFA.

VI. FEE PROPOSAL

A. Sales and Use Tax Audit Services

HdL proposes a fee of **15%** of all new sales and use tax revenue received by the City (including reimbursement from the sales and use tax compensation fund outlined in Section 97.68 of the Revenue and Taxation Code) as a result of audit and recovery work performed by the firm. This audit fee applies to monies received in the first eight consecutive reporting quarters beginning with the receipt of the audit revenue and includes retroactive back quarter adjustments obtained by HdL.

Audit fees are billed only after completion of the audit, submittal of corrections to the CDTFA and receipt of revenues by the client. 100% of all new revenue generated by HdL flows to the City after the completion of the eight quarters. The fee constitutes the full reimbursement to HdL and covers all direct and indirect costs incurred by the firm under this contract. This includes all salaries of our employees, travel expenses and service contracting costs as well as the software to be delivered to the City of Coalinga under this proposal.

Invoices are submitted only for recoveries previously approved by the City. HdL does not bill for audit revenues until the client has received said monies. Further, if during the billing cycle, a taxpayer receives a refund for overpayment of taxes generated during that cycle, HdL credits back any proportionate share of the fee that may have been levied.

Invoices are submitted quarterly after the City has received the revenue from the audit correction. The invoice includes a printout showing the name, address, and sales tax registration number of each company, and the specific amount of revenue allocated by the CDTFA to the City for those businesses.

If a misallocation correction involves additional revenue from a company that had already been partially allocating revenues to the City, the City and HdL will agree in a Work Authorization, prior to billing, the methodology for identifying the incremental revenue attributable to HdL's work.

B. Sales and Use Tax Management Services (Quarterly Delivery Meetings)

This service includes access to the City's sales tax database through our web-based software and *quarterly* meetings with one of our principals. In preparation for each meeting, a principal of the firm analyzes the City's data in detail and meets with appropriate City officials to review trends, point out businesses that should be contacted as part of the City's business retention program and discuss and make recommendations regarding the economic and budget implications of the quarter's data. Also included is a non-confidential newsletter that can be shared with your council and the public. The price for this option is **\$525 per month** for four (4) quarterly meetings or **\$425 per month** for two (2) quarterly meetings.

VII. SAMPLE REPORT PACKAGE

Trends by Major Groups

- Major Industry Groups
- Quarterly Line Graph
- Annual Line Graph

Major business type changes, including comparisons with state and county averages.

- Allocations by Business Type Including Pools
- Adjusted for Reporting Aberrations

Top sales tax generators listed in descending order. Used by management to track trends and identify companies who should be contacted as part of a business retention program.

- Top 100 Sales Tax Generators
- Quarterly Deviation Analysis

Reports for Revenue Projections.

- Sales Tax Allocation Summary
- Cash Reconciliation Report
- Budget Projections
- Five Year Forecast
- Consensus Forecast

Quarterly customized newsletter summarizing sales tax highlights presented in a manner to protect confidentiality and that can be shared with the public.

- City of Lemoore, Q22019
- City of Paso Robles, Q22019

Special reports as needed for economic development and other purposes.

- Regional Updates
- Market Competition Comparisons
- Surplus/Gap Comparison
- Retail Analytics Brochure

Sample of Legislative and Issue Updates.

- Legislative Update – February 2019
- Issue Update – Statewide 2011 Local Revenue Fund Forecast, January 2019
- Issue Update – Wayfair Decision Update, November 2018
- HeadLines Bi-Monthly E-Newsletter Trends Affecting California's Economy

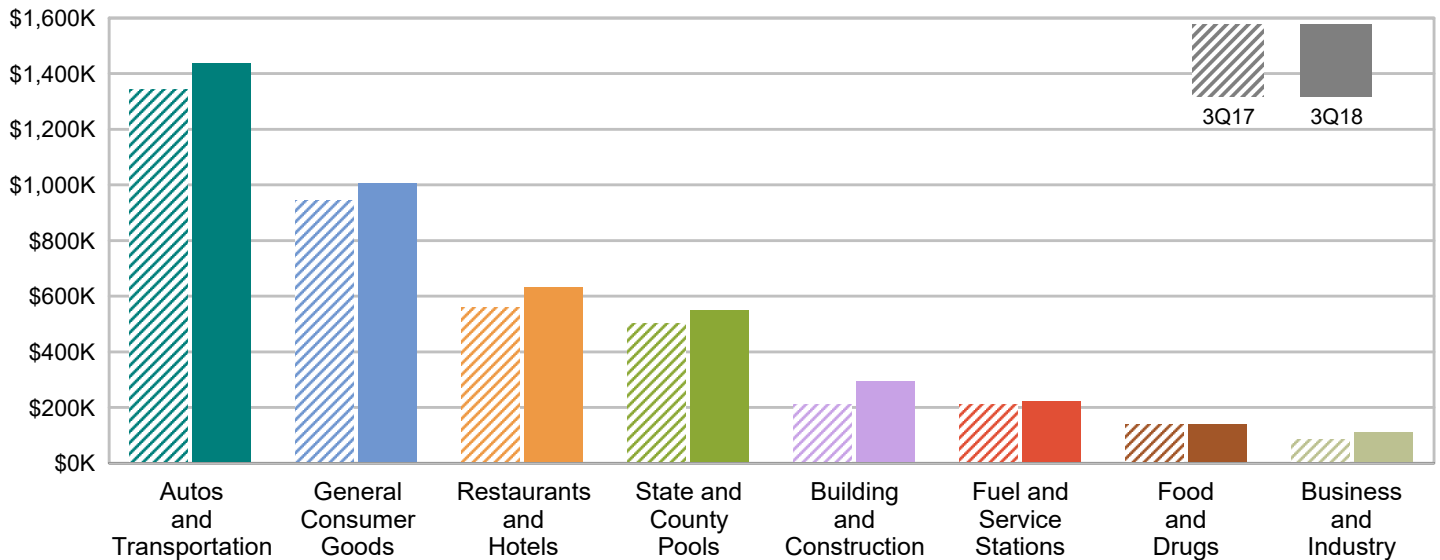


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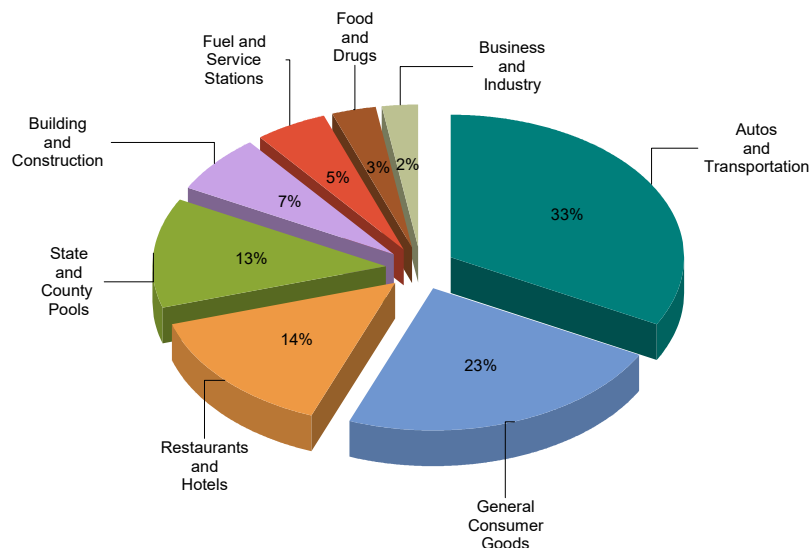
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q18	3Q17	\$ Change	% Change
Autos and Transportation	168	1,435,142	1,343,627	91,515	6.8%
General Consumer Goods	824	1,002,786	940,965	61,822	6.6%
Restaurants and Hotels	268	629,459	558,120	71,339	12.8%
State and County Pools	-	546,990	498,105	48,886	9.8%
Building and Construction	48	289,778	207,600	82,178	39.6%
Fuel and Service Stations	11	220,142	206,126	14,016	6.8%
Food and Drugs	90	137,337	134,740	2,597	1.9%
Business and Industry	563	107,183	81,704	25,479	31.2%
Transfers & Unidentified	50	1,024	(13,360)	14,384	107.7%
Total	2,022	4,369,841	3,957,625	412,216	10.4%

3Q17 Compared To 3Q18



3Q18 Percent of Total





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MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Sales Tax by Major Industry Group

Autos And Transportation

Count: 168

General Consumer Goods

Count: 824

Restaurants And Hotels

Count: 268

Building And Construction

Count: 48

Fuel And Service Stations

Count: 11

Food And Drugs

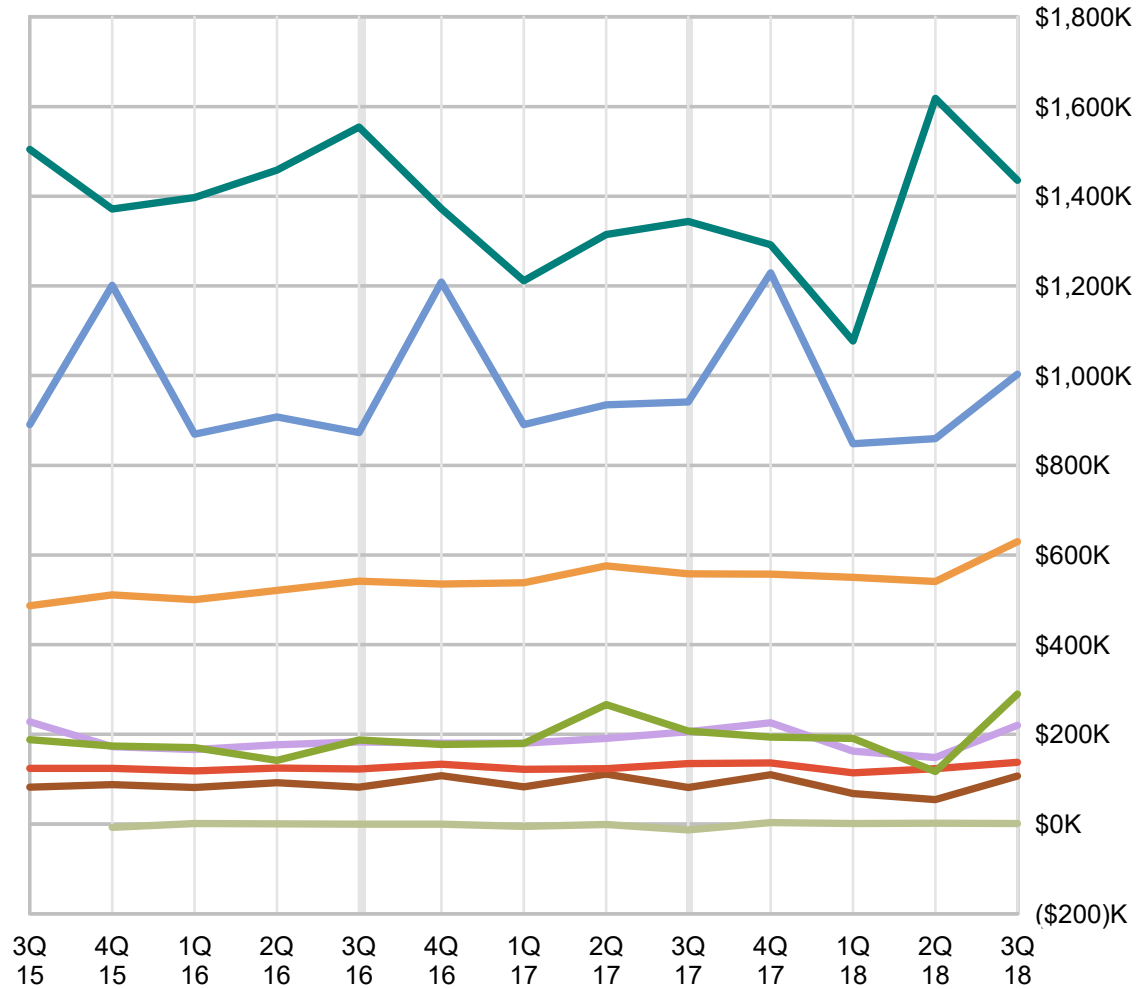
Count: 90

Business And Industry

Count: 563

Transfers & Unidentified

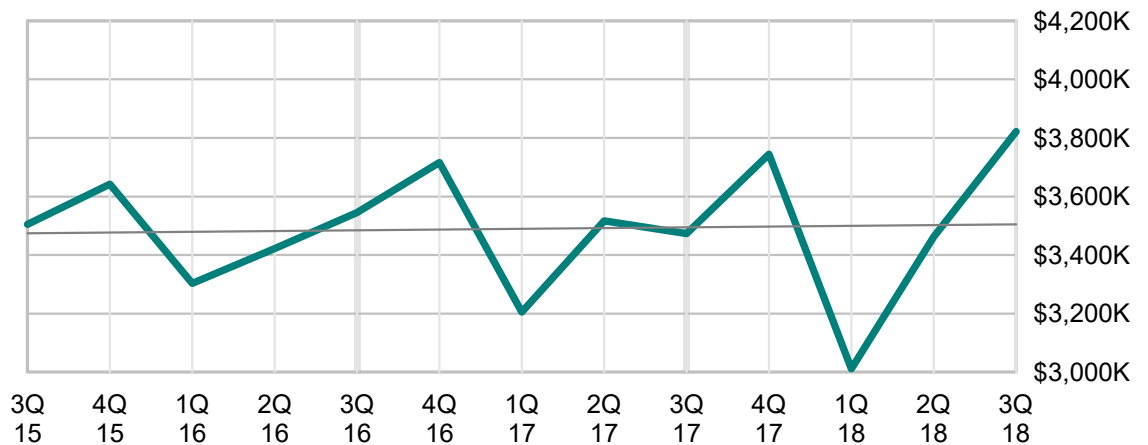
Count: 50



Agency Trend

Prosperity

13 Quarter Trend: +0.9%



Periods shown reflect the period in which the sales occurred - Point of Sale

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CITY OF PROSPERITY

MAJOR INDUSTRY GROUPS - 13 YEAR HISTORY*

Sales Tax by Major Industry Group

Autos And Transportation

Count: 168

General Consumer Goods

Count: 824

Restaurants And Hotels

Count: 268

Building And Construction

Count: 48

Fuel And Service Stations

Count: 11

Food And Drugs

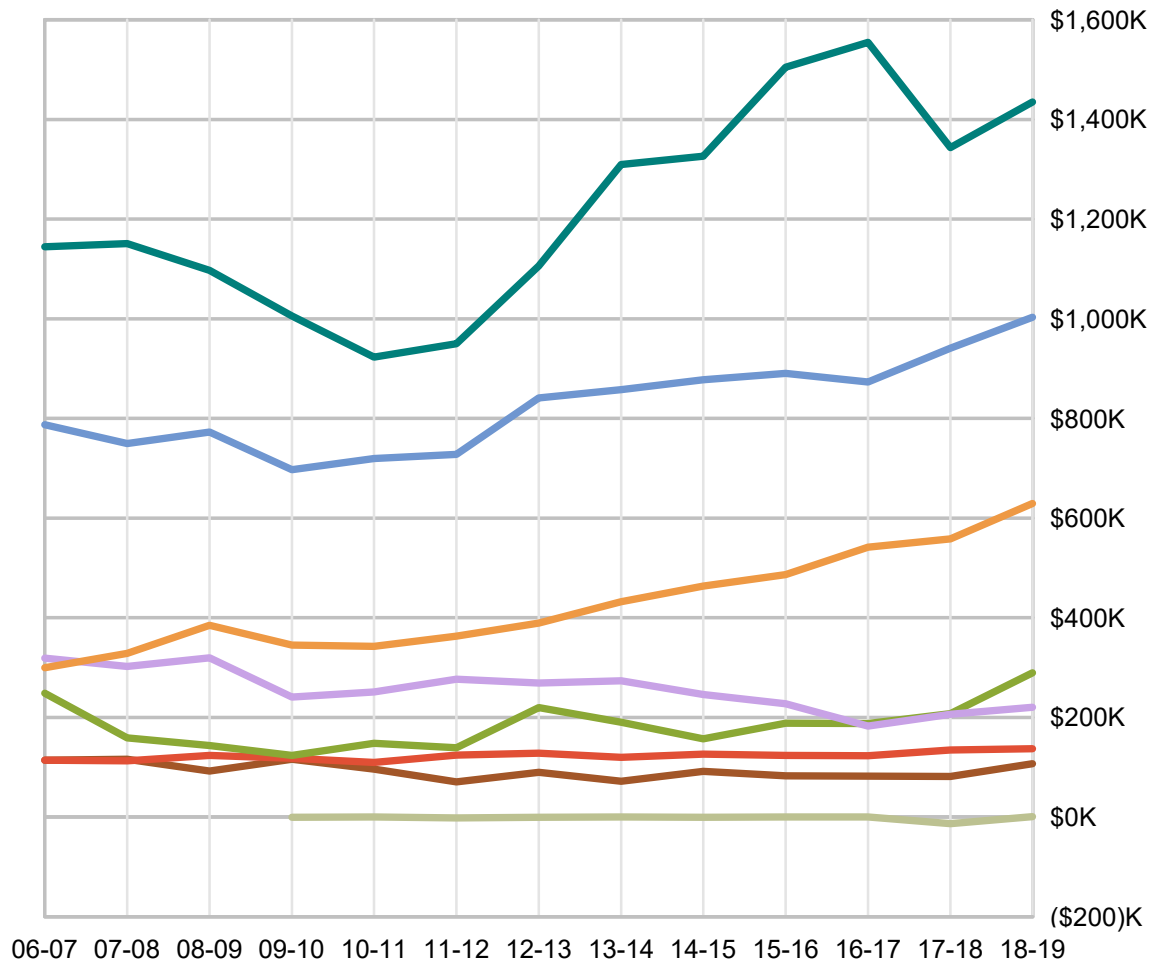
Count: 90

Business And Industry

Count: 563

Transfers & Unidentified

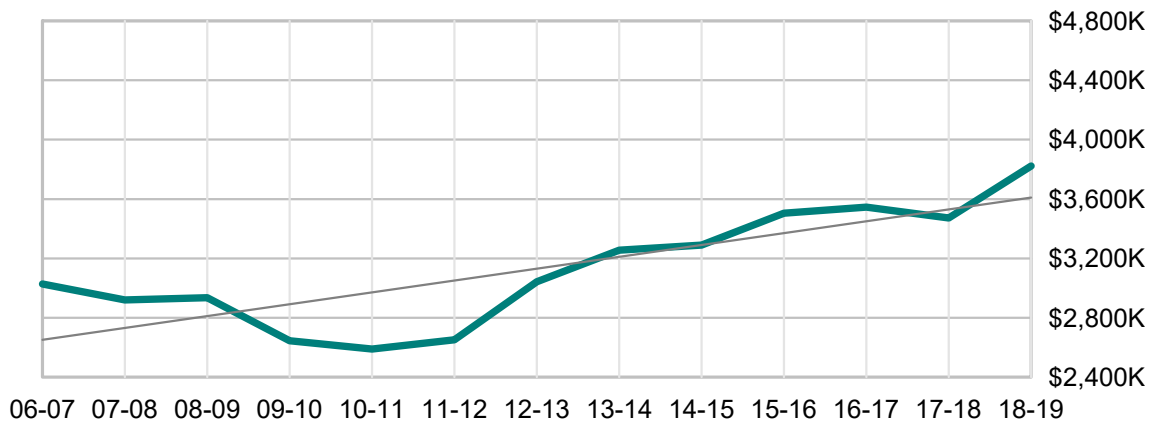
Count: 50



Agency Trend

Prosperity

13 Year Trend: +36.2%



Periods shown reflect the period in which the sales occurred - Point of Sale



CITY OF PROSPERITY

TOP 25 BUSINESS TYPES LISTED BY ALLOCATION
3Q 2018 COMPARED TO 3Q 2017

Code	Business Type Description (Count)	AGENCY			HdL STATE		
		3Q 2018	3Q 2017	Change	3Q 2018	3Q 2017	Change
60	New Motor Vehicle Dealers (18)	1,011,477	976,578	3.6%	189,628,461	168,303,640	12.7%
08	Discount Dept Stores (3)	612,524	613,866	-0.2%	108,333,511	91,559,198	18.3%
35	Casual Dining (92)	302,022	289,839	4.2%	106,256,987	92,551,154	14.8%
65	Auto Lease (16)	246,906	225,276	9.6%	27,796,436	19,379,181	43.4%
24	Quick-Service Restaurants (150)	243,823	216,536	12.6%	87,684,360	77,302,896	13.4%
50	Building Materials (6)	233,245	157,066	48.5%	104,935,271	80,854,029	29.8%
62	Service Stations (11)	220,142	206,126	6.8%	179,179,764	125,253,019	43.1%
03	Family Apparel (93)	100,321	64,983	54.4%	58,302,059	42,780,891	36.3%
34	Grocery Stores (18)	59,367	58,069	2.2%	50,764,592	43,736,533	16.1%
12	Sporting Goods/Bike Stores (13)	58,858	40,948	43.7%	14,436,444	11,920,470	21.1%
19	Specialty Stores (238)	57,338	75,161	-23.7%	33,585,479	31,000,863	8.3%
31	Electronics/Appliance Stores (54)	55,465	46,184	20.1%	38,695,810	34,417,695	12.4%
85	Transportation/Rentals (31)	45,437	32,553	39.6%	18,581,196	16,477,374	12.8%
37	Fast-Casual Restaurants (12)	42,008	26,824	56.6%	19,766,050	17,163,036	15.2%
76	Leisure/Entertainment (12)	41,552	24,916	66.8%	20,466,251	17,513,564	16.9%
61	Automotive Supply Stores (37)	39,949	21,943	82.1%	20,576,743	18,984,188	8.4%
27	Drug Stores (31)	39,755	39,921	-0.4%	14,791,836	14,387,855	2.8%
07	Department Stores (13)	38,540	36,582	5.4%	26,485,459	27,469,247	-3.6%
71	Auto Repair Shops (50)	37,297	35,537	5.0%	17,509,746	15,316,376	14.3%
22	Convenience Stores/Liquor (21)	37,150	36,290	2.4%	26,575,103	22,032,826	20.6%
66	Boats/Motorcycles (3)	33,916	22,254	52.4%	7,414,599	6,464,201	14.7%
82	Contractors (31)	28,273	27,998	1.0%	59,130,508	42,934,360	37.7%
52	Plumbing/Electrical Supplies (9)	23,233	16,329	42.3%	25,251,588	21,811,378	15.8%
86	Electrical Equipment (25)	21,478	11,900	80.5%	23,449,762	17,173,697	36.5%
64	Used Automotive Dealers (12)	19,358	28,697	-32.5%	37,626,365	25,611,496	46.9%
	All Others (1023)	173,415	127,147	36.4%	484,964,309	396,814,494	22.2%
	TOTAL ALL TYPES (2022)	3,822,851	3,459,520	10.5%	1,802,188,688	1,479,213,661	21.8%
Major Industry Groups							
	Autos And Transportation (168)	1,435,142	1,343,627	6.8%	328,859,501	279,640,964	17.6%
	Building And Construction (48)	289,778	207,600	39.6%	194,359,081	150,188,651	29.4%
	Business And Industry (563)	107,183	81,704	31.2%	306,123,844	245,667,786	24.6%
	Food And Drugs (90)	137,337	134,740	1.9%	100,551,152	85,954,885	17.0%
	Fuel And Service Stations (11)	220,142	206,126	6.8%	208,488,893	148,675,108	40.2%
	General Consumer Goods (824)	1,002,786	940,965	6.6%	392,294,434	333,930,776	17.5%
	Restaurants And Hotels (268)	629,459	558,120	12.8%	269,699,975	235,060,413	14.7%
	Transfers & Unidentified (50)	1,024	(13,360)	107.7%	1,811,808	95,079	na
	TOTAL ALL GROUPS (2022)	3,822,851	3,459,520	10.5%	1,802,188,688	1,479,213,661	21.8%
TOTAL ALL BUSINESSES (2022)		3,822,851	3,459,520	10.5%	1,802,188,688	1,479,213,661	21.8%
ALLOCATIONS FROM COUNTY POOL		544,930	495,291	10.0%			
ALLOCATIONS FROM STATE POOL		2,061	2,813	-26.8%			
GROSS RECEIPTS		4,369,841	3,957,625	10.4%			

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CITY OF PROSPERITY

TOP 25 BUSINESS TYPES LISTED BY ALLOCATION
3Q 2018 COMPARED TO 3Q 2017

Code	Business Type Description (Count)	AGENCY			HdL STATE		
		3Q 2018	3Q 2017	Change	3Q 2018	3Q 2017	Change
60	New Motor Vehicle Dealers (18)	983,768	976,578	0.7%	181,921,072	168,881,436	7.7%
08	Discount Dept Stores (3)	573,028	613,866	-6.7%	92,906,567	91,559,198	1.5%
35	Casual Dining (92)	278,363	290,944	-4.3%	91,557,793	91,504,845	0.1%
65	Auto Lease (16)	232,389	245,084	-5.2%	22,465,026	20,824,462	7.9%
24	Quick-Service Restaurants (150)	229,819	217,993	5.4%	78,310,050	76,564,788	2.3%
62	Service Stations (11)	220,302	196,865	11.9%	141,695,850	123,693,394	14.6%
50	Building Materials (6)	165,575	157,066	5.4%	83,295,782	80,448,653	3.5%
03	Family Apparel (93)	66,064	65,022	1.6%	44,960,749	42,842,774	4.9%
34	Grocery Stores (18)	60,224	58,069	3.7%	44,562,332	43,647,081	2.1%
19	Specialty Stores (238)	49,935	75,744	-34.1%	29,372,259	30,595,262	-4.0%
31	Electronics/Appliance Stores (54)	48,385	55,360	-12.6%	35,288,972	34,199,099	3.2%
37	Fast-Casual Restaurants (12)	41,993	30,747	36.6%	17,965,557	17,149,516	4.8%
12	Sporting Goods/Bike Stores (13)	39,836	40,827	-2.4%	11,802,768	12,188,862	-3.2%
27	Drug Stores (31)	39,274	39,921	-1.6%	14,387,014	14,381,756	0.0%
61	Automotive Supply Stores (37)	38,991	21,837	78.6%	18,299,378	18,758,317	-2.4%
07	Department Stores (13)	37,662	36,538	3.1%	26,789,300	27,429,600	-2.3%
71	Auto Repair Shops (50)	34,698	35,676	-2.7%	14,591,632	14,992,400	-2.7%
85	Transportation/Rentals (31)	32,516	32,781	-0.8%	17,111,157	16,406,435	4.3%
22	Convenience Stores/Liquor (21)	32,434	31,928	1.6%	22,523,652	21,716,502	3.7%
76	Leisure/Entertainment (12)	30,614	24,848	23.2%	18,525,810	17,306,192	7.0%
05	Variety Stores (43)	24,289	19,375	25.4%	7,894,425	7,567,651	4.3%
82	Contractors (31)	23,945	26,304	-9.0%	49,618,465	42,975,701	15.5%
64	Used Automotive Dealers (12)	19,349	28,696	-32.6%	25,828,659	25,451,277	1.5%
86	Electrical Equipment (25)	18,056	14,124	27.8%	18,660,274	17,921,921	4.1%
66	Boats/Motorcycles (3)	15,780	21,456	-26.5%	6,371,674	6,396,830	-0.4%
	All Others (989)	137,023	133,720	2.5%	420,455,837	406,721,452	3.4%
	TOTAL ALL TYPES (2022)	3,474,312	3,491,370	-0.5%	1,537,162,055	1,472,125,405	4.4%
Major Industry Groups							
	Autos And Transportation (168)	1,358,294	1,362,898	-0.3%	296,229,725	280,674,524	5.5%
	Building And Construction (48)	208,453	205,328	1.5%	160,529,865	149,706,208	7.2%
	Business And Industry (563)	88,186	85,642	3.0%	247,601,111	243,431,811	1.7%
	Food And Drugs (90)	132,731	130,268	1.9%	87,917,800	85,368,555	3.0%
	Fuel And Service Stations (11)	220,302	196,865	11.9%	167,976,822	146,274,516	14.8%
	General Consumer Goods (824)	884,197	945,832	-6.5%	337,224,031	333,364,857	1.2%
	Restaurants And Hotels (268)	580,820	564,537	2.9%	238,030,291	232,981,062	2.2%
	Transfers & Unidentified (50)	1,329	0	na	1,652,410	323,871	410.2%
	TOTAL ALL GROUPS (2022)	3,474,312	3,491,370	-0.5%	1,537,162,055	1,472,125,405	4.4%
TOTAL ALL BUSINESSES (2022)		3,474,312	3,491,370	-0.5%	1,537,162,055	1,472,125,405	4.4%
ALLOCATIONS FROM COUNTY POOL		0	0	na			
ALLOCATIONS FROM STATE POOL		0	0	na			
GROSS RECEIPTS		3,474,312	3,491,370	-0.5%			

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CITY OF PROSPERITY

TOP 100 SALES TAX PRODUCERS - 3Q 2018

Rank	Business Type	Firm Name	Business Address	3Q 2018	3Q 2017	Prior 4 Qtrs	Percent Change	Percent of Total	Cumulative Percent
1	08	Dougco Discount Dept Stores	2207 W Butler Ave	447,503	488,945	2,018,788	-8.48%	11.71%	12%
2	50	Giftprints Building Materials	500 S East Ave	224,162	155,506	521,095	44.15%	5.86%	18%
3	60	Silverstone New Motor Vehicle Dealers	400 S Ingersoll Blvd	187,966	209,733	909,529	-10.38%	4.92%	22%
4	60	Macnetworks New Motor Vehicle Dealers	2 Locations	172,906	180,556	660,155	-4.24%	4.52%	27%
5	08	Verdalee Discount Dept Stores	2120 W East St	165,021	124,921	478,018	32.10%	4.32%	31%
6	60	Djgraphic New Motor Vehicle Dealers	4 Locations	139,733	160,529	535,653	-12.95%	3.66%	35%
7	65	Kiaras Auto Lease	No Address In City	124,547	122,995	553,290	1.26%	3.26%	38%
8	60	Bonega New Motor Vehicle Dealers	1247 W East St	111,029	91,546	385,945	21.28%	2.90%	41%
9	60	Ooohlala New Motor Vehicle Dealers	2 Locations	109,194	110,223	449,276	-0.93%	2.86%	44%
10	60	Archetype New Motor Vehicle Dealers	1100 W East St	94,297	58,511	313,696	61.16%	2.47%	46%
11	62	Survive Service Stations	600 N Gibson Ave	66,378	37,090	69,667	78.96%	1.74%	48%
12	03	Socorros Family Apparel	201 E East St	66,254	33,253	105,328	99.24%	1.73%	50%
13	60	Dls New Motor Vehicle Dealers	1200 W East St	63,047	40,138	100,382	57.08%	1.65%	52%
14	60	Beachtownrules New Motor Vehicle Dealers	726 E East St	53,251	53,288	198,302	-0.07%	1.39%	53%
15	65	Eventos Auto Lease	No Address In City	48,031	44,032	182,357	9.08%	1.26%	54%
16	60	Crepery New Motor Vehicle Dealers	1811 W East St	43,766	36,705	152,011	19.24%	1.14%	55%
17	65	Nesting Auto Lease	No Address In City	39,785	20,835	61,637	90.96%	1.04%	56%
18	12	Primeco Sporting Goods/Bike Stores	2801 W Dunkirk Rd	37,251	18,500	63,195	101.35%	0.97%	57%
19	62	Keyman Service Stations	1201 S Ingersoll Blvd	36,453	31,210	130,163	16.80%	0.95%	58%
20	60	Formerica New Motor Vehicle Dealers	1700 W East St	36,287	35,348	120,281	2.66%	0.95%	59%
21	07	Asd Department Stores	1201 S Townsend Ave	35,788	36,232	154,087	-1.23%	0.94%	60%
22	66	Nuvar Boat/Motorcycles	3001 W East St Unit A	33,790	22,242	59,193	51.92%	0.88%	61%
23	03	Francesca Family Apparel	150 E East St Ste 130	32,403	30,661	137,579	5.68%	0.85%	62%
24	24	Chaunceys Quick-Service Restaurants	1210 N Ingersoll Blvd	28,029	21,246	79,065	31.92%	0.73%	63%
25	35	Coopersoft Casual Dining	740 E Yukon Blvd	26,606	13,239	40,352	100.96%	0.70%	63%
26	24	Awch Quick-Service Restaurants	2 Locations	24,769	24,914	101,914	-0.58%	0.65%	64%
27	62	Capelli Service Stations	601 W Yukon Blvd	24,153	19,948	83,964	21.08%	0.63%	65%
28	62	Natuurlik Service Stations	525 N Ingersoll Blvd	22,883	16,939	69,538	35.09%	0.60%	65%
29	19	Maxies Specialty Stores	2568 W Butler Ave	20,426	20,648	83,255	-1.07%	0.53%	66%
30	61	Epm Automotive Supply Stores	1200 E Yukon Blvd	19,607	0	32,396	n/a	0.51%	66%
31	27	Kade Drug Stores	4 Locations	19,269	19,415	82,220	-0.75%	0.50%	67%
32	85	Samkhya Transportation/Rentals	2 Locations	18,419	15,869	58,099	16.07%	0.48%	67%
33	52	Travelube Plumbing/Electrical Supplies	2220 W East St	18,213	11,111	33,052	63.91%	0.48%	68%
34	62	Possessions Service Stations	2601 W East St	17,536	14,780	63,201	18.65%	0.46%	68%
35	62	Metropol Service Stations	3201 W Yukon Blvd	17,529	16,437	65,534	6.64%	0.46%	69%

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CITY OF PROSPERITY

TOP 100 SALES TAX PRODUCERS - 3Q 2018

Rank	Business Type	Firm Name	Business Address	3Q 2018	3Q 2017	Prior 4 Qtrs	Percent Change	Percent of Total	Cumulative Percent
36	76	Qualitytype Leisure/Entertainment	700 S Republic St	17,407	8,524	28,138	104.21%	0.46%	69%
37	34	Hotdog Grocery Stores	2400 W Butler Ave	16,528	18,617	73,981	-11.22%	0.43%	70%
38	34	Mulkeyland Grocery Stores	725 E East St	15,169	17,892	59,904	-15.22%	0.40%	70%
39	65	Joyce Auto Lease	No Address In City	14,923	13,282	49,557	12.35%	0.39%	70%
40	35	Kese Casual Dining	2223 W Butler Ave	14,900	12,863	54,121	15.84%	0.39%	71%
41	62	Lanimar Service Stations	848 S Gibson Ave	14,632	22,680	65,256	-35.48%	0.38%	71%
42	76	Truckstuff Leisure/Entertainment	741 S Townsend Ave	14,352	8,085	37,381	77.52%	0.38%	72%
43	86	Cynmar Electrical Equipment	2015 Morris St	14,217	9,203	32,411	54.48%	0.37%	72%
44	85	Katana Transportation/Rentals	No Address In City	13,800	6,026	11,508	129.02%	0.36%	72%
45	31	Axion Electronics/Appliance Stores	2121 W East St Ste 300	13,684	14,118	50,184	-3.07%	0.36%	73%
46	35	Greenbrew Casual Dining	33 W East St	12,993	12,738	48,369	2.00%	0.34%	73%
47	62	Trails Service Stations	2600 W Yukon Blvd	12,863	11,669	47,573	10.23%	0.34%	73%
48	35	Insidecomputer Casual Dining	245 W Yukon Blvd	11,862	11,173	43,370	6.16%	0.31%	74%
49	64	Oic Used Automotive Dealers	1744 W Yukon Blvd	11,795	20,898	64,096	-43.56%	0.31%	74%
50	98	Willowerks Heavy Industrial	1147 S Dupont Ave	11,671	4,649	15,366	151.04%	0.31%	74%
51	04	Neurina Shoe Stores	420 S Gibson Ave	11,223	2,221	9,145	405.21%	0.29%	75%
52	35	Confeccion Casual Dining	68 W East St	11,142	10,375	44,120	7.40%	0.29%	75%
53	12	Chavas Sporting Goods/Bike Stores	2801 W Dunkirk Rd	10,848	11,221	48,899	-3.33%	0.28%	75%
54	35	Heatherstone Casual Dining	700 W Yukon Blvd	10,693	10,471	42,279	2.12%	0.28%	75%
55	35	Sportaction Casual Dining	500 W East St Ste A	10,277	10,483	42,072	-1.96%	0.27%	76%
56	35	Goldmart Casual Dining	2131 W Butler Ave	10,239	10,420	39,779	-1.74%	0.27%	76%
57	31	Ctm Electronics/Appliance Stores	2 Locations	9,963	5,083	21,741	96.01%	0.26%	76%
58	27	Mandalay Drug Stores	2551 W East St	9,943	9,374	30,755	6.08%	0.26%	76%
59	24	Eastwind Quick-Service Restaurants	138 E Yukon Blvd	9,845	9,698	36,040	1.51%	0.26%	77%
60	27	Bondesign Drug Stores	2 Locations	9,691	10,068	40,553	-3.74%	0.25%	77%
61	12	Euphorbia Sporting Goods/Bike Stores	620 E Yukon Blvd	9,618	10,229	36,138	-5.97%	0.25%	77%
62	31	Profab Electronics/Appliance Stores	810 E Yukon Blvd Ste D	9,468	8,871	50,169	6.73%	0.25%	77%
63	18	Waxworks Office Supplies/Furniture	1200 W Yukon Blvd	9,390	9,655	34,197	-2.74%	0.25%	78%
64	50	Sades Building Materials	616 S East Ave	8,848	1,560	14,430	467.18%	0.23%	78%
65	31	Muchos Electronics/Appliance Stores	6 Locations	8,623	9,178	42,303	-6.05%	0.23%	78%
66	35	Primitives Casual Dining	2 S Gibson Ave Ste 100	8,603	10,188	31,388	-15.56%	0.23%	78%
67	34	Greenland Grocery Stores	150 E East St Ste 150	8,589	8,034	33,298	6.90%	0.22%	79%
68	35	Alteryears Casual Dining	2000 W East St	8,430	9,326	35,097	-9.60%	0.22%	79%
69	82	Imt Contractors	3001 W Dunkirk Rd Ste B	8,264	7,402	30,807	11.64%	0.22%	79%
70	35	Zyzzle Casual Dining	21 E East St	7,872	7,354	31,528	7.04%	0.21%	79%
71	24	Rainscape Quick-Service Restaurants	2310 W Butler Ave	7,683	0	0	n/a	0.20%	79%

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CITY OF PROSPERITY

TOP 100 SALES TAX PRODUCERS - 3Q 2018

Rank	Business Type	Firm Name	Business Address	3Q 2018	3Q 2017	Prior 4 Qtrs	Percent Change	Percent of Total	Cumulative Percent
72	35	Monico Casual Dining	301 E Yukon Blvd	7,634	7,061	29,139	8.12%	0.20%	80%
73	01	Mobileader Women's Apparel	3025 W Dunkirk Rd	7,507	1,522	3,932	393.23%	0.20%	80%
74	65	Dcs Auto Lease	No Address In City	7,385	6,537	28,072	12.98%	0.19%	80%
75	65	Notions Auto Lease	1330 W East St	7,370	0	0	n/a	0.19%	80%
76	71	Frances Auto Repair Shops	328 S East Ave	7,362	8,912	34,501	-17.39%	0.19%	80%
77	83	Bundles Office Equipment	No Address In City	7,294	0	0	n/a	0.19%	81%
78	35	Loshas Casual Dining	228 W Yukon Blvd Ste 101	6,866	5,984	24,542	14.74%	0.18%	81%
79	05	Fernoll Variety Stores	2810 W Republic Rd	6,801	6,573	28,054	3.47%	0.18%	81%
80	19	Ardoce Specialty Stores	2115 W Butler Ave	6,697	6,260	29,318	6.98%	0.18%	81%
81	24	Nomad Quick-Service Restaurants	511 W Yukon Blvd	6,467	0	0	n/a	0.17%	81%
82	85	Nike Transportation/Rentals	2 Locations	6,435	3,861	11,660	66.66%	0.17%	81%
83	24	Travelsmith Quick-Service Restaurants	2528 W Butler Ave	6,424	6,674	25,793	-3.74%	0.17%	82%
84	34	Normans Grocery Stores	2 Locations	6,379	6,981	26,986	-8.63%	0.17%	82%
85	35	Chanfield Casual Dining	1412 S Gibson Ave	6,336	0	13,239	n/a	0.17%	82%
86	62	Martineti Service Stations	1401 S Gibson Ave	6,304	6,207	26,258	1.56%	0.16%	82%
87	35	Croissanteria Casual Dining	1032 E Yukon Blvd	6,278	6,025	24,261	4.20%	0.16%	82%
88	35	Lara Casual Dining	369 W East St	6,278	5,896	24,172	6.48%	0.16%	82%
89	24	Calmaka Quick-Service Restaurants	245 S Ingersoll Blvd	6,278	6,171	24,788	1.72%	0.16%	83%
90	35	Greenfield Casual Dining	1224 N Ingersoll Blvd	6,248	6,740	20,803	-7.30%	0.16%	83%
91	35	Dawsons Casual Dining	2234 W Yukon Blvd	6,100	6,046	24,944	0.89%	0.16%	83%
92	24	Savage Quick-Service Restaurants	2531 W Yukon Blvd	6,052	0	862	n/a	0.16%	83%
93	35	Envirotherm Casual Dining	201 W East St	6,017	5,899	23,862	2.00%	0.16%	83%
94	37	Summerwood Fast-Casual Restaurants	2300 W Butler Ave	5,959	0	0	n/a	0.16%	83%
95	86	Zowecars Electrical Equipment	3044 W East St	5,959	1,289	7,568	362.26%	0.16%	84%
96	35	Giulianos Casual Dining	701 S Townsend Ave	5,943	6,146	25,560	-3.31%	0.16%	84%
97	82	Phorms Contractors	1600 Dewey St	5,919	5,066	18,217	16.83%	0.15%	84%
98	37	Lockserv Fast-Casual Restaurants	2121 W East St Ste 210	5,822	5,561	21,961	4.68%	0.15%	84%
99	19	Sante Specialty Stores	2 Locations	5,772	5,512	28,643	4.72%	0.15%	84%
100	35	Altatron Casual Dining	515 W East St	5,689	7,212	26,251	-21.12%	0.15%	84%

Amount Paid By Top 100 Accounts	3,223,904	2,835,310	11,081,562	84.33%	84%
Percent Paid By Top 100 Accounts	84.33%	81.96%	80.99%		
Total Paid By All Accounts	3,822,851	3,459,520	13,682,960		

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CITY OF PROSPERITY

TOP 20 DEVIATING BUSINESSES

Firm Name Account Number	3Q 2017 3Q 2018	\$ Change % Change	Prior Year Comparison	3Q 2017 3Q 2018
Giftprints Building Materials 50 SRZ AP 030835794	155,506 224,162	68,656 44%		
Verdalee Discount Dept Stores 08 SRZ AP 017847614	124,921 165,021	40,099 32%		
Archetype New Motor Vehicle Dealers 60 SR 103242360	58,511 94,297	35,786 61%		
Socorros Family Apparel 03 SRZ RC 100651817	33,253 66,254	33,002 99%		
Survive Service Stations 62 SRY AP 097694550	37,090 66,378	29,288 79%		
Dls New Motor Vehicle Dealers 60 SR 102679104	40,138 63,047	22,909 57%		
Epm Automotive Supply Stores 61 SR 102462054	NP 19,607	19,607 -n/a-		
Bonega New Motor Vehicle Dealers 60 SR 102384022	91,546 111,029	19,483 21%		
Nesting Auto Lease 65 SRZ OHA 102400356	20,835 39,785	18,950 91%		
Primeco Sporting Goods/Bike Stores 12 SR 100759302	18,500 37,251	18,750 101%		
Stylization Auto Lease 65 SRS AB 018879697x	(15,116) NP	15,116 100%		
Coopersoft Casual Dining 35 SR 101449821	13,239 26,606	13,367 101%		
Ets Receivables/Master Outlets 00 052180767	(13,004) (42)	12,962 100%		
Nuvart Boats/Motorcycles 66 SRY AP 102259152	22,242 33,790	11,549 52%		
Msb Auto Lease 65 SRS EA 100888705x	17,944 NP	(17,944) -100%		
Djgraphic New Motor Vehicle Dealers 60 SRX AP 017252957	160,529 139,733	(20,796) -13%		
Silverstone New Motor Vehicle Dealers 60 SRX AP 098183274	209,733 187,966	(21,767) -10%		
Keris Specialty Stores 19 SRZ AP 030782741x	23,713 0	(23,713) -100%		
Ravenous Service Stations 62 AP 018747872	28,061 NP	(28,061) -100%		
Dougco Discount Dept Stores 08 SRZ AP 030823777	488,945 447,503	(41,441) -8%		
Agency Total	3,459,520 3,822,851	363,331 10.5%		



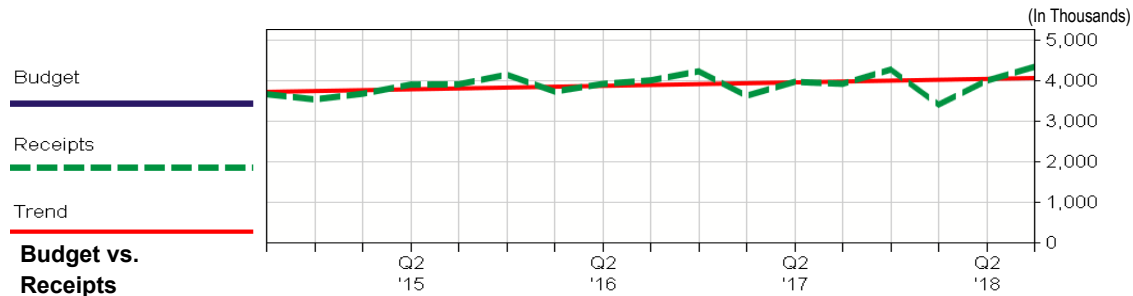
CITY OF PROSPERITY

SALES TAX ALLOCATION SUMMARY

Seven Major Industry Groups	Fiscal Yr 2016-17 Totals	FY 2017-18 Sales Quarters				Fiscal Yr 2017-18 Totals	Dollar Change Prior Yr	Percent Change Prior Yr	FY 2018-19 Sales Quarters				Fiscal Yr 2018-19 YTD Totals	YTD % Change Prior Yr
		3Q	4Q	1Q	2Q				3Q	4Q	1Q	2Q		
Point of Sale														
Autos And Transportation	5,452,712	1,343,627	1,291,518	1,077,117	1,618,047	5,330,309	(122,403)	-2%	1,435,142				1,435,142	7%
Building And Construction	810,854	207,600	194,068	190,904	116,961	709,532	(101,321)	-12%	289,778				289,778	40%
Business And Industry	384,670	81,704	110,121	68,174	54,738	314,738	(69,932)	-18%	107,183				107,183	31%
Food And Drugs	501,608	134,740	136,303	114,380	123,276	508,699	7,092	1%	137,337				137,337	2%
Fuel And Service Stations	734,383	206,126	225,816	162,401	147,986	742,329	7,946	1%	220,142				220,142	7%
General Consumer Goods	3,907,027	940,965	1,228,861	848,081	859,725	3,877,632	(29,396)	-1%	1,002,786				1,002,786	7%
Restaurants And Hotels	2,190,961	558,120	557,478	550,364	541,139	2,207,100	16,139	1%	629,459				629,459	13%
Transfers & Unidentified	(7,190)	(13,360)	3,213	923	1,846	(7,379)	(189)	-3%	1,024				1,024	108%
Total Point of Sale	13,975,024	3,459,520	3,747,378	3,012,344	3,463,718	13,682,960	(292,064)	-2%	3,822,851				3,822,851	11%
County Pool Allocations	2,003,449	495,291	560,246	425,792	570,511	2,051,841	48,392	2%	544,930				544,930	10%
State Pool Allocations	7,923	2,813	1,112	2,734	1,361	8,019	96	1%	2,061				2,061	-27%
Total (Net Collections)	15,986,395	3,957,625	4,308,736	3,440,870	4,035,590	15,742,820	(243,575)	-2%	4,369,841				4,369,841	10%
Less: Cost of Administration	(197,468)	(47,272)	(48,157)	(43,377)	(48,832)	(187,638)	9,831	5%	(39,045)				(39,045)	17%
Subtotal	15,788,927	3,910,353	4,260,578	3,397,493	3,986,759	15,555,183	(233,744)	-1%	4,330,796				4,330,796	11%
Unaccrued Q2 Cleanup	(307,988)	307,988				307,988								
Grand Total	15,480,939	4,218,341	4,260,578	3,397,493	3,986,759	15,863,171	382,232	2%	4,330,796				4,330,796	11%
Budget														

**Due to the monthly allocation changes by CDTFA, as of 1st Quarter 2018 all fiscal year totals will be reported on an accrual basis (July to June sales).

Transactions Taxes	14,257,399	3,470,872	4,086,449	3,534,818	2,929,063	14,021,201	(236,197)	-2%	4,184,945				4,184,945	21%
Less: Cost of Administration	(143,080)	(37,470)	(37,470)	(22,890)	(38,880)	(136,710)	6,370	4%	(38,880)				(38,880)	-4%
Total	14,114,319	3,433,402	4,048,979	3,511,928	2,890,183	13,884,491	(229,827)	-2%	4,146,065				4,146,065	21%
Budget	0					0							0	



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	Payment Month	Fiscal Year 2017-18	Fiscal Year 2018-19
1st Advance	June	\$ 1,095,400.00	\$ 1,270,729.32
2nd Advance	July	1,095,400.00	1,372,793.84
3rd Advance	August	1,460,400.00	-
Clean Up	September	307,987.96	1,343,235.46
2nd Quarter Allocation		3,959,187.96	3,986,758.62
1st Advance	September	1,159,800.00	1,410,943.03
2nd Advance	October	1,159,800.00	1,627,114.11
3rd Advance	November	1,546,500.00	-
Clean Up	December	44,252.58	1,292,739.15
3rd Quarter Allocation		3,910,352.58	4,330,796.29
1st Advance	December	1,199,900.00	-
2nd Advance	January	1,199,900.00	-
3rd Advance	February	1,600,000.00	-
Clean Up	March	260,778.47	-
4th Quarter Allocation		4,260,578.47	-
1st Advance	March	1,037,100.00	-
2nd Advance	April	1,037,100.00	-
3rd Advance	May	-	-
Clean Up	June	1,323,292.98	-
1st Quarter Allocation		3,397,492.98	-
1st Advance	June	1,270,729.32	-
2nd Advance	July	1,372,793.84	-
3rd Advance	August	-	-
Clean Up	September	1,343,235.46	-
2nd Quarter Allocation		3,986,758.62	-
Fiscal Year Reconciliation			
60 Day Accrual Period		\$ 14,519,935.15	\$ 5,674,031.75
90 Day Accrual Period		\$ 15,555,182.65	\$ 4,330,796.29

CITY OF PROSPERITY
FY 2018-19 (ending September)
Mid-Year Sales and Use Tax Revenues Projection

Agency Adopted Budget Estimate for FY 2018-19

Total Allocation From SBOE

Includes State and County Pools

Current Quarter	3Q 2018	4,308,736
Previous Quarter	2Q 2018	3,957,625
2nd Previous Quarter	1Q 2018	4,006,852
3rd Previous Quarter	4Q 2017	3,665,212
Total Allocation		15,938,425

Adjustments

Economic Adjustments

State & County Pools (7.0%)	37,000
Restaurants & Hotels (4.5%)	23,500
Autos & Transportation (1.5%)	21,500
Fuel & Service Stations (10.0%)	17,500
General Consumer Goods (1.0%)	9,000
Building & Construction (3.0%)	5,000
Food & Drugs (2.5%)	2,500
Business & Industry (2.0%)	1,500
Other Adjustments (see attached)	0
Total Adjustments	117,500

Subtotal (0.8% increase from FY 2017-18 actual)	16,055,925
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Administration Cost (1.3%)	(192,269)
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Estimated FY 2017-18 Sales Tax Revenues	15,863,656
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Rounded to Nearest Thousand (0.8% increase from FY 2017-18 actual)	15,864,000
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Estimate With 60-Day Accrual	15,819,000
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Other Adjustments
Total Other Adjustments

0



CITY OF PROSPERITY

EXTENDED SALES AND USE TAX BUDGET ESTIMATE

Industry Group	FY 2017-18	FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24	
	Actuals	Projection	%	Projection	%	Projection	%	Projection	%	Projection	%	Projection	%
Autos & Transportation	5,330,309	5,421,824	1.7%	5,421,824	0.0%	5,421,824	0.0%	5,421,824	0.0%	5,421,824	0.0%	5,421,824	0.0%
Building & Construction	709,532	791,710	11.6%	791,710	0.0%	791,710	0.0%	791,710	0.0%	791,710	0.0%	791,710	0.0%
Business & Industry	314,738	340,216	8.1%	340,216	0.0%	340,216	0.0%	340,216	0.0%	340,216	0.0%	340,216	0.0%
Food & Drugs	508,699	511,296	0.5%	511,296	0.0%	511,296	0.0%	511,296	0.0%	511,296	0.0%	511,296	0.0%
Fuel & Service Stations	742,329	756,345	1.9%	756,345	0.0%	756,345	0.0%	756,345	0.0%	756,345	0.0%	756,345	0.0%
General Consumer Goods	3,877,632	3,939,453	1.6%	3,939,453	0.0%	3,939,453	0.0%	3,939,453	0.0%	3,939,453	0.0%	3,939,453	0.0%
Restaurants & Hotels	2,207,100	2,278,440	3.2%	2,278,440	0.0%	2,278,440	0.0%	2,278,440	0.0%	2,278,440	0.0%	2,278,440	0.0%
Transfers & Unidentified	(7,379)	7,005	195%	7,005	0.0%	7,005	0.0%	7,005	0.0%	7,005	0.0%	7,005	0.0%
State & County Pools	2,059,860	2,108,746	2.4%	2,108,746	0.0%	2,108,746	0.0%	2,108,746	0.0%	2,108,746	0.0%	2,108,746	0.0%
Total	15,742,820	16,155,036	2.6%	16,155,036	0.0%	16,155,036	0.0%	16,155,036	0.0%	16,155,036	0.0%	16,155,036	0.0%
Administration Cost	(187,638)	(192,252)		(210,015)		(210,015)		(210,015)		(210,015)		(210,015)	
Total	15,555,183	15,962,784	2.6%	15,945,021	-0.1%	15,945,021	0.0%	15,945,021	0.0%	15,945,021	0.0%	15,945,021	0.0%
Triple Flip Deduction	0	0		0									
Estimated SUTCF	0	0		0									
True-Up Payment	0	0		0									
Total	15,555,183	15,962,784	2.6%	15,945,021	-0.1%	15,945,021	0.0%	15,945,021	0.0%	15,945,021	0.0%	15,945,021	0.0%

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CALIFORNIA FORECAST SALES TAX TRENDS AND ECONOMIC DRIVERS

JANUARY 2020

HdL[®] Companies

Half Dome, Yosemite National Park

HdL provides relevant information and analyses on the economic forces affecting California's local government agencies. In addition, HdL's Revenue Enhancement and Economic Development Services help clients to maximize revenues.

HdL serves over 500 cities, counties and special districts in California and across the nation.



*Delivering Revenue, Insight and Efficiency
to Local Government Since 1983*

HDL CONSENSUS FORECAST – JANUARY 2020 STATEWIDE SALES TAX TRENDS

HdL Companies

 **2019/20 | 2020/21**
TOTAL 2.4% | 1.8%



Autos/Transportation

2019/20 | 2020/21
-1.5% | 0.3%

Auto and transportation receipts fell this quarter for the first time since the end of the Great Recession, but this deterioration was largely the result of an aberration rather than a symptom of economic decline. The anomaly was caused by the fulfillment of a large backlog of orders for a recently released model by an emerging vehicle manufacturer, which spiked results in the third and fourth quarters of last year. Results are otherwise expected to be flat to slightly down over the next year. Sales activity will be negatively impacted by the high price of today's vehicles but sustained by record manufacturer incentives.



Fuel/Service Stations

1.0% | 1.0%

Higher gas prices in California due to refinery issues ahead of the holiday shopping period may push consumers to reprioritize spending. Should supply remain tight into the spring of 2020, future summer fuel pricing could reach levels not seen since 2014 when crude was over \$100/barrel. Currently, global crude oil appears stable, however, tension in the Middle East remains and OPEC appears ready to reduce production output levels, both of which will increase future cost per barrel.



Building/Construction

1.6% | 2.1%

As the quantity of permits issued for residential and commercial developments continues to decline, the value of permitted projects is beginning to drop as well. Meanwhile, prices for materials are rising but the lack of demand for lumber is a drag against the volume of total sales. The good news is that there are plenty of permitted projects left to be built since construction timelines have been extended from the lack of available workforce. Infrastructure projects are expected to keep construction crews busy for some time. Overall, this sector will reflect reasonable activity, however, tax gains will be sluggish through the 2020-21 fiscal year.



General Consumer Goods -0.1% | -0.4%

As retailers invest in customer engagement through social media platforms and omnichannel capabilities, they are leveraging mobile technology to drive buyers into physical stores. Greater use of smartphones will improve buy-online-pickup-in-store (BOPIS) services which can influence additional in-store purchases. Changes in consumer attitudes by younger shoppers are fueling the rise of recommerce. Off-price or discount shopping is still a major trend, but the resale market is expected to double its size in the next five years. Low unemployment and solid wage growth are good indicators although in-store sales should stay flat or dip moving into 2020.



Business/Industry

2.4% | 1.8%

Labor shortages and ongoing uncertainty over trade and tariff policies appear to be slowing capital investment decisions and new orders. California's high-tech service economy is expected to do better than the country as a whole with most analysts predicting more modest growth in procurement of equipment and supplies to support healthcare, food processing, logistics/warehouse operations and information/data technology. Much of the group's projected gain is related to the acceleration of online shopping which shifts consumer retail tax revenue from brick and mortar stores to industrial zoned logistics centers. Minimal growth and some declines are expected across other categories.



Restaurants/Hotels

2.5% | 2.1%

Restaurant traffic has remained sluggish as low unemployment is making hiring and retention extremely difficult while food service options intensify competition within categories. Restaurant operators increase menu prices as labor costs and lease rates continue to rise. In the short term, the rising menu prices offset the slowing traffic stabilizing restaurant sales tax revenue.



Food/Drugs

1.9% | 1.5%

Customers routinely express the desire to shop locally. Grocery chains are meeting this demand by establishing same day deliveries for online alcohol purchases and partnering with companies to establish micro-fulfillment centers. Pharmacies, also sensitive to purchaser preferences, are embracing technology in various ways. Artificial intelligence is being used more to create drugs while specialty medication and 3-D printed prescriptions become more common. Recent healthcare megamergers will impact this industry in 2020 and beyond. Taxes from this group will also grow as more cannabis businesses are licensed and become operational at the local level.



State and County Pools 12.4% | 6.5%

Business to business plus consumer spending on out-of-state merchandise will surge as companies expand digital investments while managing shipping wars, data privacy and logistic challenges. This segment is expected to stay strong and outpace all other traditional sales tax groups without letting up. Early results from the Wayfair decision implementation, which launched in the second quarter of 2019 under AB147, added new revenues at the State and local level. The marketplace facilitator phase started October 1st; current and next year forecasting comprises Wayfair's total impact on anticipated use taxes distributed through the countywide pools.

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocation to counties. HdL forecasts a statewide increase of 3.51% for Fiscal Year 2019/2020 and a gain of 1.44% in 2020/2021.

NATIONAL AND STATEWIDE ECONOMIC DRIVERS



U.S. Real GDP Growth

2019/20 | 2020/21
2.3% | 2.0%

What is most notable about current GDP data is just how steady growth has been despite all the frantic headlines. U.S. GDP growth was 2.8% in 2017, 2.5% in 2018, and has averaged 2.4% for the first three quarters of 2019. Throughout this entire period consumer spending has been the primary driver of growth and that spending is now growing at roughly the same pace as U.S. GDP. Much of the overall confidence surrounding the ongoing health of the U.S. economy sits with the consumer. The one weak spot in the nation's GDP data in 2019 was in business investment, although spending is down in that area for a number of specific reasons, but not too many general ones. Weak export data has played a role in slowing investment but the overall impact of the trade war with China has been highly overstated. The biggest issue for U.S. exports isn't China, but rather a U.S. dollar that hasn't been this expensive in global currency markets since 2002. Alongside a weak global economy, the dollar's value actually illustrates the resilience of the U.S. economy overall.



U.S. Unemployment Rate 3.7% | 3.8%

What will not make negative headlines is the actual health of the United States economy. Pessimistic press coverage and punditry aside, the sum total of indicators for the year show that the U.S. economy is continuing to grow at the same steady rate that has now become the hallmark of the longest expansion on record. The health of the consumer and, therefore, the growth of the economy is being supported by record tight labor markets. The U.S. unemployment rate fell to 3.6% in the latest quarterly read, and has trended below the national jobs opening rate for two years. Competition for scarce labor resources has led many workers to receive a significant increase in earnings, and a growing share of national income. In 2014, compensation for employees was 60% of national income compared to 63% in 2019.



CA Total Nonfarm Employment Growth

1.7% | 1.4%

Since October 2018, California's economy has added 308,000 jobs, which is equivalent to a 1.8% year-over-year increase, exceeding the nation's growth rate of 1.4% over the same period. This rate of growth is well above the state's long-term employment growth rate, which has averaged 1.2% per year since 1991. Within the state, we see considerable variation in job growth rates by region. Perhaps the most impressive performance within the state occurred in the San Francisco Bay Area. Together, San Francisco, San Jose, and Oakland added jobs at a rate of 3.0% and accounted for one-third of California's job growth over the past year. Fully 40% of the state's job growth over the past year was concentrated in just two sectors: Health Care and Social Assistance and Leisure and Hospitality. Secular trends, such as a growing elderly population, account for growth in Health Care and Social Assistance employment, while growth in Leisure and Hospitality employment reflects underlying strength in the health of the consumer. The more confident consumers feel, the more likely they are to travel or dine at a restaurant.



CA Unemployment Rate 4.2% | 4.1%

Despite a nagging perception that there are murky clouds on the horizon, California's economy reached a number of significant milestones in the most recent quarter. The state's unemployment rate dipped to 3.9%, which represents a new record low – all while employment and wages reach all-time highs. The longer the current expansion persists, the closer we are to the next recession, but business cycles do not die of old age, and at present, there are few signs of a slowdown in the state's economy.



CA Median Existing Home Price \$488,900 | \$509,500

Home price growth has shown some signs of exhaustion over the past year. The median price for a single-family home in California grew 2.2% over this period, which when adjusted for inflation, means that price growth has effectively been flat. Following the run up in prices in recent years, such a slowdown is not surprising; after all, when the median home price in a place like San Francisco stands at \$1.4 million, the room for sustained price inflation is limited, no matter the strength of the local economy. To be sure, lower interest rates should spur home price growth in the state, but it's unrealistic to expect the rate of growth we've seen in recent years to continue.



CA Residential Building Permits 111,310 | 124,150

The issue of home building permits is a cause for concern. The supply of building permits peaked in the first quarter of 2018, and permit growth turned negative in the third quarter of that year. This growth has remained negative throughout 2019. Constrained housing supply will continue to place upward pressure on home prices and could also limit growth of the state's labor force. At least at the national level, the third quarter saw residential investments contribute to overall growth. Hopefully this continues and materializes within California sooner rather than later.

HdL Companies

120 S. State College Blvd., Suite 200

Brea, CA 92821

Telephone: 714.879.5000 • 888.861.0220

Fax: 909.861.7726

California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

Beacon Economics

Southern California Office

5777 West Century Boulevard, Suite 895

Los Angeles, CA 90045

Telephone: 310.571.3399

Fax: 424.646.4660

Beacon Economics has proven to be one of the most thorough and accurate economic research/analytical forecasting firms in the country. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of information between Beacon and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.



HdL Companies

714.879.5000 | hdlcompanies.com

Q2 2019



City of Lemoore Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Lemoore In Brief

Lemoore's receipts from April through June were 19.8% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City.

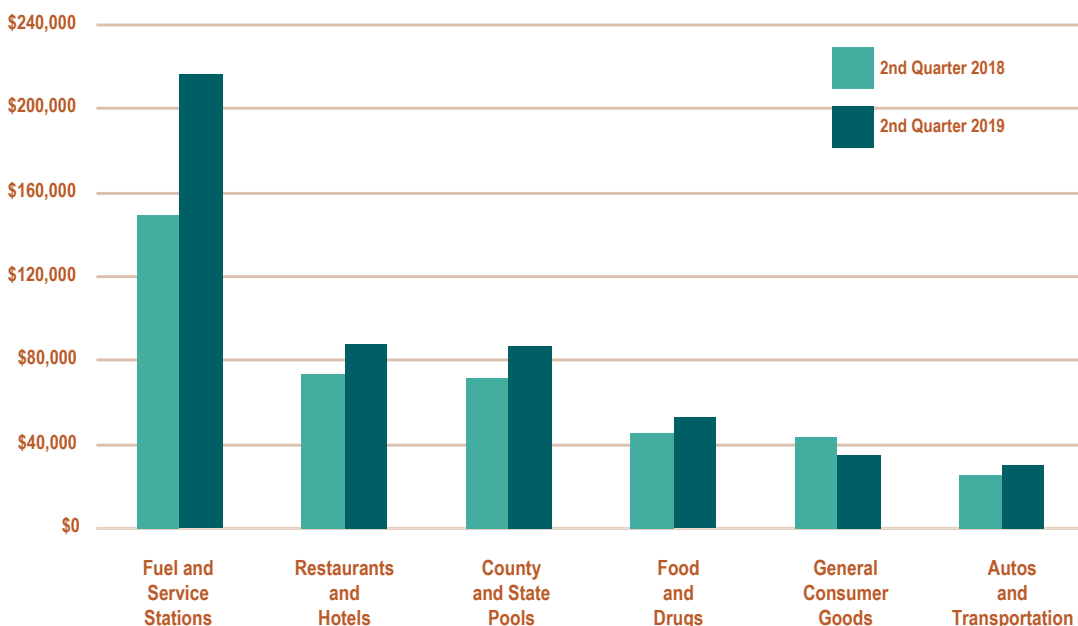
Excluding reporting anomalies, actual sales were up 4.9%. Payment reporting irregularities in both quarters overstated cash basis results in the restaurants-hotels, food-drugs and autos-transportation groups.

Rising prices at the pumps produced strong sales for fuel and services stations; gains of 15% were reported once exceptions are factored out.

General consumer goods declined; comparative outcomes again reflected the previous closure of a local store by a national chain. A receipts basis exception stood out for specialty stores as a vendor remitted taxes for multiple back quarters in this reporting period.

Net of aberrations, taxable receipts for all of Kings County grew 4.9% over the comparable time period; the San Joaquin Valley was up 4.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Animal House	Jack in the Box
Arco AM PM	Lemoore Crossings
AutoZone	Leprino Foods
Bennett & Bennett Irrigation Systems	Little Caesars Pizza
Best Buy Market	McDonald's
Billingsley Tire	Me N Eds Pizzeria
Burger King	Mobil
Chevron	Rite Aid
Deville Technologies Inc	Save Mart
Dollar General	Taco Bell
Expo Propane	Valero
Fastrap	Walgreens
Gary V Burrows	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$1,690,391	\$2,192,397
County Pool	277,548	380,311
State Pool	966	1,135
Gross Receipts	\$1,968,905	\$2,573,843
Cty/Cnty Share	(39,378)	(51,477)
Net Receipts	\$1,929,527	\$2,522,366

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

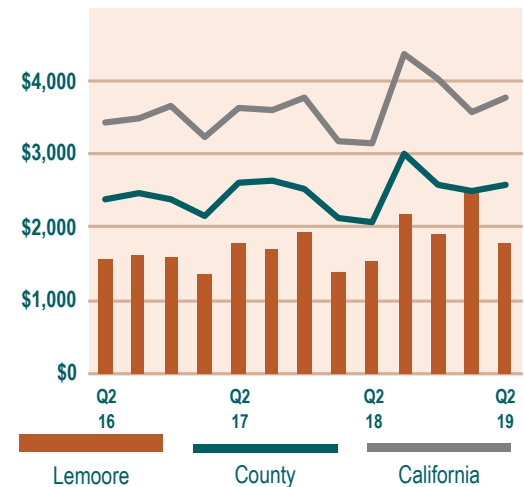
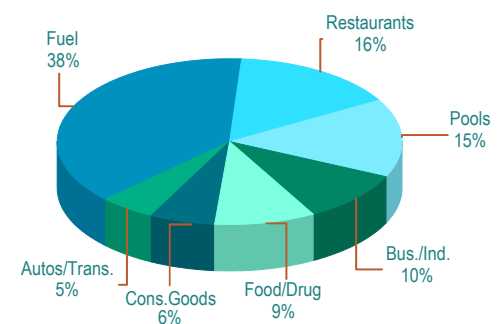
Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA**REVENUE BY BUSINESS GROUP**
Lemoore This Quarter**LEMOORE TOP 15 BUSINESS TYPES**

Business Type	Lemoore		County	HdL State
	Q2 '19	Change	Change	Change
Auto Repair Shops	4,644	158.2%	44.9%	21.6%
Automotive Supply Stores	24,030	4.3%	7.4%	16.4%
Building Materials	— CONFIDENTIAL —		39.6%	34.2%
Casual Dining	23,440	28.3%	47.2%	24.5%
Convenience Stores/Liquor	19,662	33.0%	31.7%	14.9%
Drug Stores	— CONFIDENTIAL —		3.9%	-0.3%
Electronics/Appliance Stores	4,778	20.5%	-15.0%	7.0%
Food Service Equip./Supplies	— CONFIDENTIAL —		16.1%	33.7%
Fuel/Ice Dealers	— CONFIDENTIAL —		470.0%	76.3%
Grocery Stores	21,586	8.1%	10.7%	9.6%
Petroleum Prod/Equipment	— CONFIDENTIAL —		25.6%	15.5%
Quick-Service Restaurants	62,221	14.8%	25.8%	15.7%
Service Stations	128,681	99.1%	69.0%	51.4%
Specialty Stores	7,478	217.4%	19.4%	-8.5%
Variety Stores	— CONFIDENTIAL —		13.2%	10.2%
Total All Accounts	471,347	19.7%	26.6%	20.1%
County & State Pool Allocation	86,565	20.7%	27.7%	22.4%
Gross Receipts	557,912	19.8%	26.7%	20.4%
City/County Share	(11,158)	-19.8%		
Net Receipts	546,754	19.8%		

Q2 2019



City of Paso Robles Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Paso Robles In Brief

Paso Robles' receipts from April through June were 23.6% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Excluding reporting aberrations, actual sales were down 5.4%.

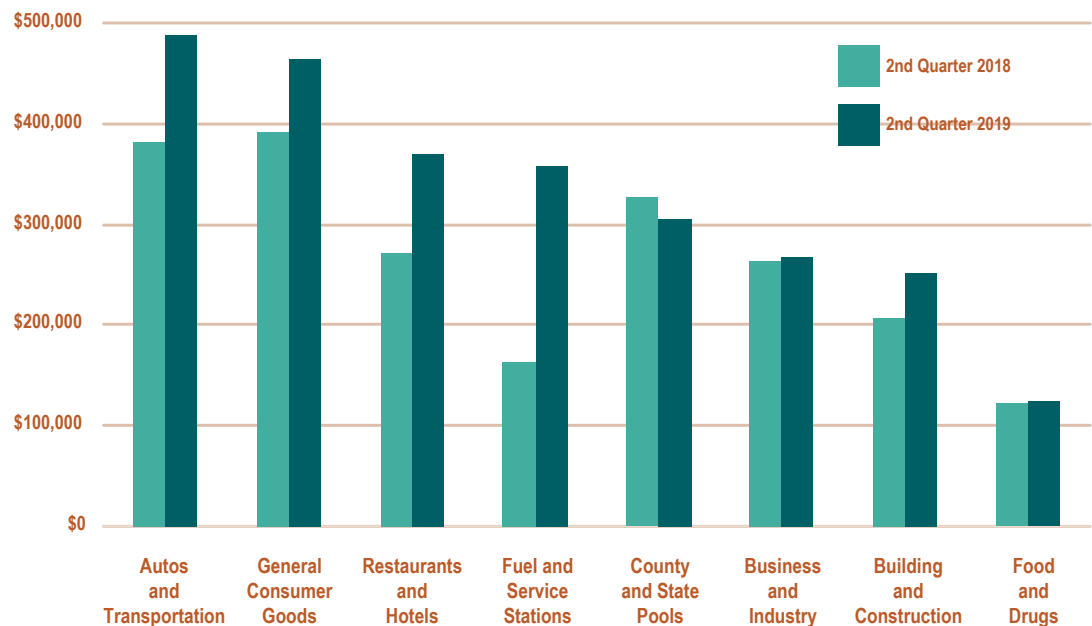
Weak new auto sales activity, the closeout of building material vendor and soft early-summer returns from contractor suppliers were largely responsible for the drop. The business-industrial group declined as garden-agricultural merchants and wineries struggled to match last year's receipts.

These point of sale impacts combined with a lower allocation from the countywide use tax pool due to diminished tax dollars compared to the prior period, further negatively affected the overall results.

The City's voter approved half-cent transaction tax, Measure E-12, generating an additional \$1,273,125 or 20.9% increase over last year, was also dramatically impacted by CDTFA software changes. Once adjusted, the measure experienced a modest increase of 0.8%.

Net of aberrations, taxable receipts for all of San Luis Obispo County grew 3.1% over the comparable time period; the Central Coast region was up 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	McDonalds
Albertsons	Mullahey Chyrsler
Arco AM PM	Dodge Jeep Ram
Big Creek Lumber	Paso Robles Chevrolet
Borjon Auto Center	Paso Robles Ford
Buick Gmc	Paso Robles Kia
Crop Production Services	Ross
Eagle Energy 76	Sky River
Firestone Walker Brewery	Smart & Final
Golden Hill Mobil	Target
Jaco Oil	Third Base Market & Spirits Pr
JB Dewar	TJ Maxx
Kohls	Walmart
Lowes	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$8,422,285	\$9,810,816
County Pool	1,310,766	1,399,958
State Pool	4,906	4,891
Gross Receipts	\$9,737,958	\$11,215,665
Supplemental Tax	\$4,689,494	\$5,337,578

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

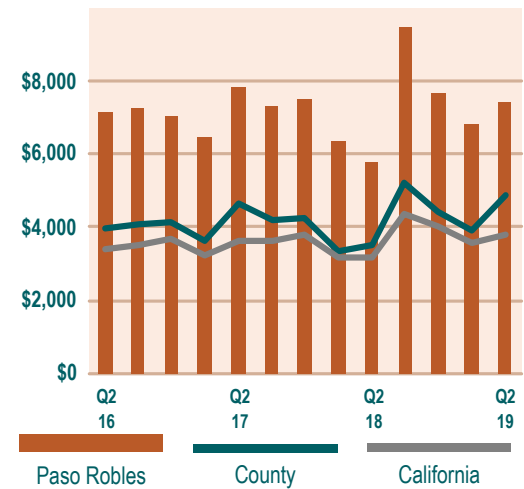
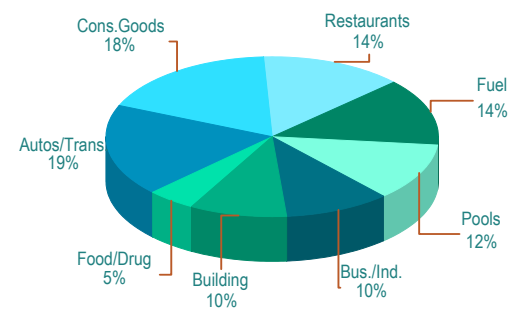
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SALES PER CAPITA**REVENUE BY BUSINESS GROUP**
Paso Robles This Quarter**PASO ROBLES TOP 15 BUSINESS TYPES**

<i>*In thousands of dollars</i>				
Business Type	Paso Robles		County	HdL State
	Q2 '19*	Change	Change	Change
Automotive Supply Stores	55.7	11.1%	12.1%	16.4%
Building Materials	167.6	17.9%	15.9%	34.1%
Casual Dining	171.4	35.1%	18.6%	24.5%
Contractors	41.1	61.1%	23.5%	26.8%
Discount Dept Stores	— CONFIDENTIAL —		18.1%	26.3%
Electronics/Appliance Stores	41.3	-5.8%	-6.6%	7.0%
Family Apparel	54.6	109.3%	36.2%	45.3%
Garden/Agricultural Supplies	82.0	-13.7%	4.2%	22.0%
Grocery Stores	72.8	4.1%	7.2%	9.6%
New Motor Vehicle Dealers	318.0	47.4%	15.9%	5.4%
Quick-Service Restaurants	100.2	35.4%	28.0%	15.9%
Service Stations	330.4	106.3%	84.8%	51.4%
Trailers/RVs	— CONFIDENTIAL —		-6.4%	6.9%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —		-3.1%	47.9%
Wineries	35.0	23.5%	27.2%	24.7%
Total All Accounts	2,329.4	29.1%	37.9%	20.1%
County & State Pool Allocation	304.3	-7.0%	-0.6%	22.4%
Gross Receipts	2,633.6	23.6%	32.0%	20.4%



SOUTHERN CALIFORNIA

ACTUAL/ADJUSTED COMPARISON - BY COUNTY AND MAJOR INDUSTRY GROUP

	ACTUAL RECEIPTS			ADJUSTED FOR ECONOMIC DATA		
	3Q 2018	3Q 2017	% Change	3Q 2018	3Q 2017	% Change
Imperial County						
Autos And Transportation	953,778	803,598	18.7%	846,849	815,884	3.8%
Building And Construction	437,609	348,630	25.5%	376,544	345,030	9.1%
Business And Industry	1,179,006	785,149	50.2%	727,660	769,512	-5.4%
Food And Drugs	202,305	182,135	11.1%	184,252	180,977	1.8%
Fuel And Service Stations	1,589,027	1,099,852	44.5%	1,033,016	909,154	13.6%
General Consumer Goods	1,863,907	1,580,373	17.9%	1,571,561	1,570,085	0.1%
Restaurants And Hotels	559,333	465,044	20.3%	467,577	478,700	-2.3%
Transfers & Unidentified	-541	383	-241.4%	295	2,000	-85.3%
County & State Pool	1,021,127	897,396	13.8%	870,583	852,954	2.1%
	7,805,550	6,162,560	26.7%	6,078,338	5,924,296	2.6%
Los Angeles County						
Autos And Transportation	77,358,505	65,912,694	17.4%	69,943,448	66,420,521	5.3%
Building And Construction	41,114,590	30,803,125	33.5%	32,614,359	30,719,733	6.2%
Business And Industry	64,163,649	51,498,619	24.6%	50,818,115	51,181,074	-0.7%
Food And Drugs	26,376,497	22,053,536	19.6%	22,564,906	21,871,044	3.2%
Fuel And Service Stations	46,408,886	33,690,555	37.8%	37,987,163	32,732,504	16.1%
General Consumer Goods	102,960,353	86,574,260	18.9%	87,655,644	86,217,675	1.7%
Restaurants And Hotels	73,990,062	65,074,605	13.7%	65,614,173	64,264,780	2.1%
Transfers & Unidentified	515,973	-24,844	***. %	422,098	157,528	168.0%
County & State Pool	58,979,593	49,269,506	19.7%	51,535,330	49,427,101	4.3%
	491,868,107	404,852,056	21.5%	419,155,237	402,991,960	4.0%
Orange County						
Autos And Transportation	35,286,699	28,627,145	23.3%	30,885,546	28,770,943	7.3%
Building And Construction	16,817,973	13,493,600	24.6%	14,125,867	13,457,640	5.0%
Business And Industry	27,337,586	22,037,341	24.1%	22,073,110	22,272,047	-0.9%
Food And Drugs	8,037,450	7,076,404	13.6%	7,221,890	6,982,768	3.4%
Fuel And Service Stations	18,006,162	12,194,303	47.7%	14,122,792	12,426,425	13.7%
General Consumer Goods	40,564,270	35,172,540	15.3%	35,281,716	35,135,710	0.4%
Restaurants And Hotels	29,797,641	26,631,094	11.9%	26,967,784	26,462,063	1.9%
Transfers & Unidentified	161,534	-25,009	745.9%	128,840	22,661	468.5%
County & State Pool	23,959,957	19,339,815	23.9%	20,607,613	19,058,972	8.1%
	199,969,272	164,547,233	21.5%	171,415,158	164,589,230	4.1%
Riverside County						
Autos And Transportation	18,929,860	16,280,625	16.3%	16,554,837	16,386,992	1.0%
Building And Construction	13,806,348	10,761,123	28.3%	11,367,735	10,788,954	5.4%
Business And Industry	15,010,206	12,410,909	20.9%	11,937,544	12,113,540	-1.5%
Food And Drugs	5,373,907	4,488,163	19.7%	4,825,362	4,444,829	8.6%
Fuel And Service Stations	11,716,191	8,151,409	43.7%	9,382,938	8,020,604	17.0%
General Consumer Goods	20,973,349	17,903,553	17.1%	18,068,442	17,792,066	1.6%
Restaurants And Hotels	11,980,807	10,020,274	19.6%	10,015,061	9,836,100	1.8%
Transfers & Unidentified	-15,017	1,055	-1523.4%	43,405	5,053	759.0%
County & State Pool	15,673,264	10,117,391	54.9%	12,767,466	9,977,626	28.0%
	113,448,915	90,134,500	25.9%	94,962,790	89,365,763	6.3%
San Bernardino County						
Autos And Transportation	18,676,592	16,827,238	11.0%	16,503,775	16,918,906	-2.5%
Building And Construction	11,336,842	8,410,340	34.8%	9,222,496	8,374,866	10.1%
Business And Industry	24,861,183	21,000,859	18.4%	21,924,023	20,449,651	7.2%
Food And Drugs	4,552,013	3,796,932	19.9%	4,032,232	3,767,775	7.0%
Fuel And Service Stations	14,163,507	9,823,463	44.2%	11,488,289	9,805,630	17.2%
General Consumer Goods	20,254,228	17,612,302	15.0%	17,744,892	17,500,699	1.4%
Restaurants And Hotels	10,758,892	9,388,830	14.6%	9,447,598	9,222,598	2.4%
Transfers & Unidentified	36,937	-26,672	238.5%	71,003	-25,204	381.7%
County & State Pool	14,194,436	10,650,798	33.3%	12,728,647	11,576,509	10.0%
	118,834,631	97,484,090	21.9%	103,162,955	97,591,430	5.7%
San Diego County						
Autos And Transportation	27,609,052	24,276,498	13.7%	24,662,059	24,336,493	1.3%
Building And Construction	16,080,776	12,775,198	25.9%	13,466,757	12,720,499	5.9%
Business And Industry	20,396,478	16,096,313	26.7%	16,013,160	16,073,838	-0.4%
Food And Drugs	8,525,129	7,347,883	16.0%	7,833,570	7,312,585	7.1%
Fuel And Service Stations	16,953,064	11,282,029	50.3%	13,012,024	11,230,869	15.9%
General Consumer Goods	37,152,875	31,867,083	16.6%	31,946,964	31,712,051	0.7%
Restaurants And Hotels	27,310,402	23,662,371	15.4%	24,216,321	23,582,311	2.7%
Transfers & Unidentified	163,263	8,404	***. %	117,670	13,663	761.3%
County & State Pool	23,259,771	18,972,996	22.6%	20,046,443	18,966,949	5.7%
	177,450,809	146,288,776	21.3%	151,314,967	145,949,257	3.7%

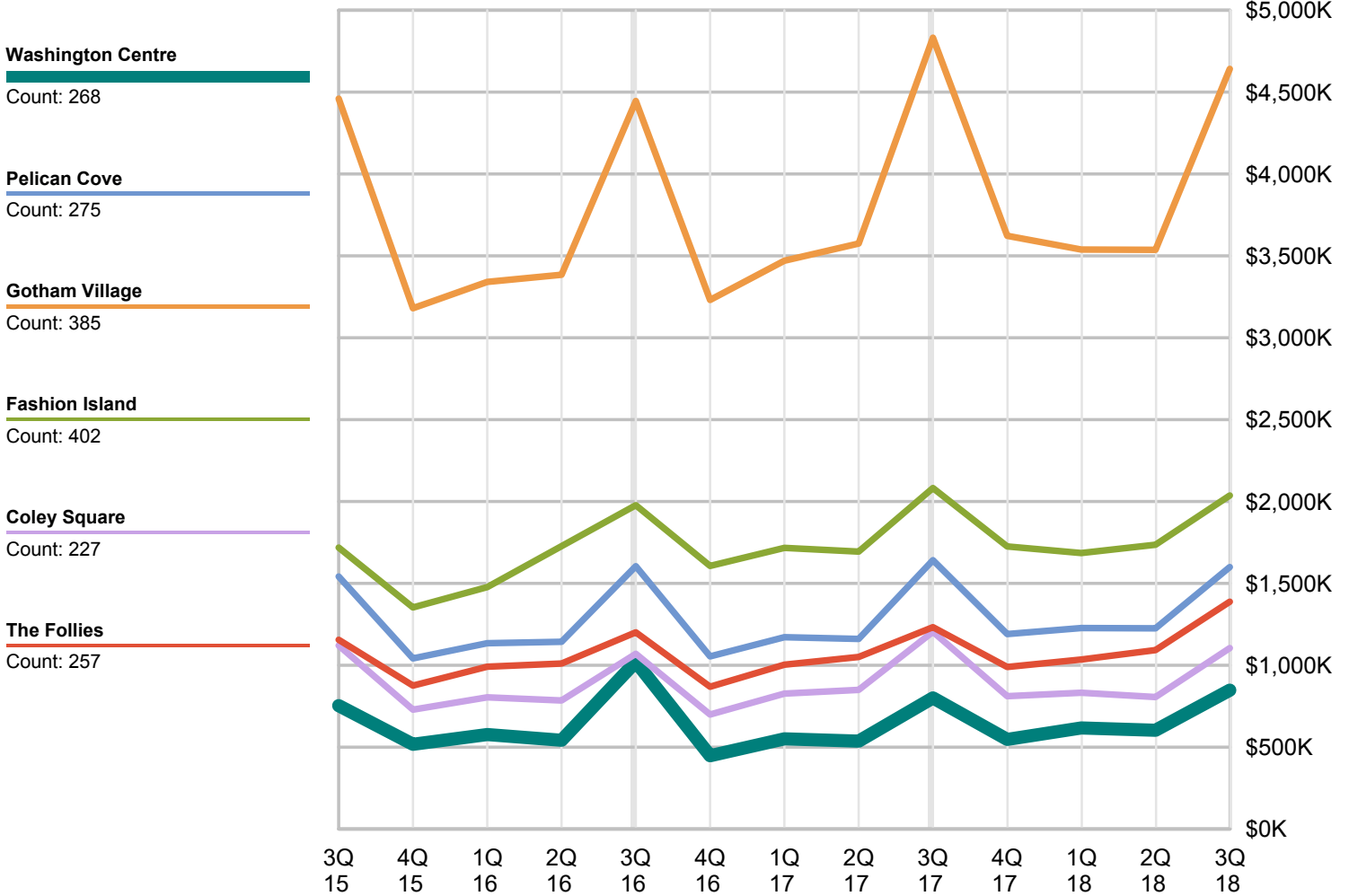
SOUTHERN CALIFORNIA

ACTUAL/ADJUSTED COMPARISON - BY COUNTY AND MAJOR INDUSTRY GROUP

	ACTUAL RECEIPTS			ADJUSTED FOR ECONOMIC DATA		
	3Q 2018	3Q 2017	% Change	3Q 2018	3Q 2017	% Change
Ventura County						
Autos And Transportation	8,082,355	7,469,345	8.2%	7,312,851	7,433,824	-1.6%
Building And Construction	3,779,949	2,944,387	28.4%	3,196,571	2,939,842	8.7%
Business And Industry	5,224,682	4,247,976	23.0%	4,274,318	4,223,647	1.2%
Food And Drugs	2,249,163	1,967,116	14.3%	2,033,168	1,961,173	3.7%
Fuel And Service Stations	4,037,391	2,541,032	58.9%	3,120,998	2,764,183	12.9%
General Consumer Goods	8,676,379	7,814,393	11.0%	7,634,684	7,733,247	-1.3%
Restaurants And Hotels	4,953,844	4,491,998	10.3%	4,396,860	4,442,328	-1.0%
Transfers & Unidentified	32,250	-13,435	340.0%	24,154	12,575	92.1%
County & State Pool	5,079,467	3,756,447	35.2%	4,394,796	4,012,994	9.5%
	42,115,479	35,219,259	19.6%	36,388,399	35,523,813	2.4%
Southern California Totals						
Autos And Transportation	186,896,840	160,197,144	16.7%	166,709,365	161,083,562	3.5%
Building And Construction	103,374,087	79,536,404	30.0%	84,370,329	79,346,563	6.3%
Business And Industry	158,172,789	128,077,165	23.5%	127,767,931	127,083,308	0.5%
Food And Drugs	55,316,464	46,912,170	17.9%	48,695,380	46,521,151	4.7%
Fuel And Service Stations	112,874,229	78,782,643	43.3%	90,147,219	77,889,370	15.7%
General Consumer Goods	232,445,360	198,524,503	17.1%	199,903,903	197,661,534	1.1%
Restaurants And Hotels	159,350,979	139,734,215	14.0%	141,125,374	138,288,880	2.1%
Transfers & Unidentified	894,398	-80,118	***. %	807,465	188,276	328.9%
County & State Pools	142,167,616	113,004,348	25.8%	122,950,878	113,873,105	8.0%
	1,151,492,763	944,688,473	21.9%	982,477,844	941,935,748	4.3%
HdL State Totals						
Autos And Transportation	328,859,501	279,640,964	17.6%	296,229,725	280,674,524	5.5%
Building And Construction	194,359,081	150,188,651	29.4%	160,529,865	149,706,208	7.2%
Business And Industry	306,123,844	245,667,786	24.6%	247,601,111	243,431,811	1.7%
Food And Drugs	100,551,152	85,954,885	17.0%	87,917,800	85,368,555	3.0%
Fuel And Service Stations	208,488,893	148,675,108	40.2%	167,976,822	146,274,516	14.8%
General Consumer Goods	392,294,434	333,930,776	17.5%	337,224,031	333,364,857	1.2%
Restaurants And Hotels	269,699,975	235,060,413	14.7%	238,030,291	232,981,062	2.2%
Transfers & Unidentified	1,811,808	95,079	***. %	1,652,410	323,871	410.2%
County & State Pools	282,410,774	220,778,645	27.9%	243,981,090	220,191,219	10.8%
	2,084,599,462	1,699,992,306	22.6%	1,781,143,145	1,692,316,624	5.2%

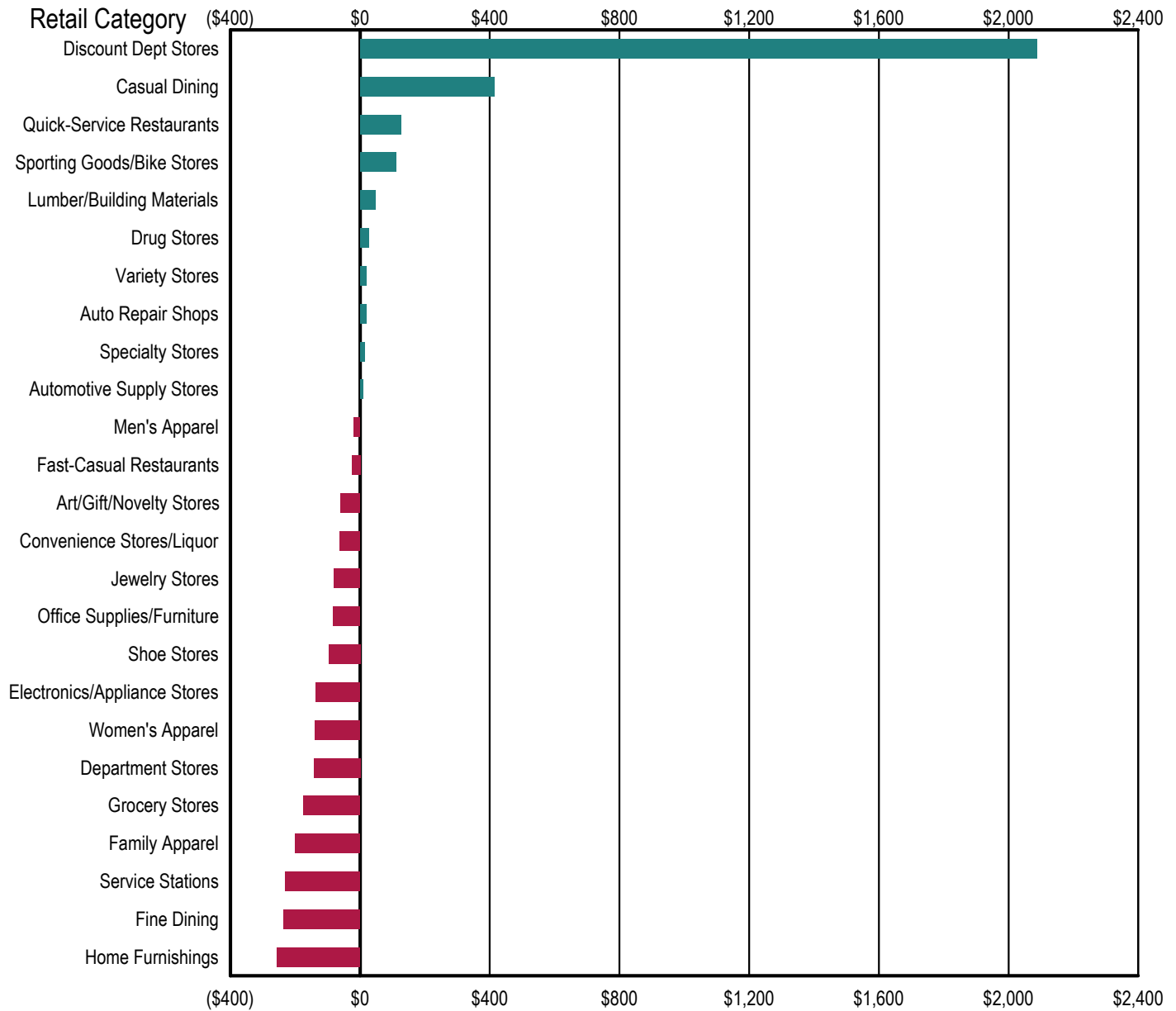
Geo areas

Sales Tax by Geographic areas



Periods shown reflect the period in which the sales occurred - Point of Sale

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The above graph compares **per capita** sales tax generated from targeted retail categories against countywide averages. A **retail surplus** suggests the community is capturing its local market for that category of goods plus attracting shoppers from outside the jurisdiction. A **retail gap** suggests the possibility that residents may have a greater demand for products in the specific category than is being satisfied by local businesses. The information is provided only as a **starting point** in identifying potential sources of sales tax loss and should not automatically be interpreted as an expansion or leveraging opportunity without more detailed analysis and assessment.

CITY OF PROSPERITY

PER CAPITA SALES TAX SURPLUS/GAP COMPARISON - 4 QUARTERS ENDING 3Q 2018

Retail Category	Per Cap Sales Capture (+) or Gap (-)	Sales Tax Deviation	Typical Sales Per Sq Ft by Retail Type	Approx Sq Ft to Close Gap
Discount Dept Stores	\$2,087	\$1,808,447	\$475	n/a
Casual Dining	414	358,611	525	n/a
Quick-Service Restaurants	128	110,567	500	n/a
Sporting Goods/Bike Stores	111	96,103	225	n/a
Lumber/Building Materials	46	40,247	300	n/a
Drug Stores	28	24,622	350	n/a
Variety Stores	20	17,671	100	n/a
Auto Repair Shops	18	15,548	215	n/a
Specialty Stores	14	12,454	175	n/a
Automotive Supply Stores	10	9,004	275	n/a
Men's Apparel	(19)	(16,614)	225	7,000
Fast-Casual Restaurants	(25)	(22,004)	520	4,000
Art/Gift/Novelty Stores	(61)	(52,597)	150	35,000
Convenience Stores/Liquor	(63)	(54,920)	375	15,000
Jewelry Stores	(80)	(69,271)	500	14,000
Office Supplies/Furniture	(83)	(71,906)	225	32,000
Shoe Stores	(96)	(83,441)	200	42,000
Electronics/Appliance Stores	(137)	(118,306)	500	24,000
Women's Apparel	(138)	(119,693)	375	32,000
Department Stores	(143)	(123,766)	175	71,000
Grocery Stores	(175)	(151,308)	110	138,000
Family Apparel	(200)	(173,356)	375	46,000
Service Stations	(230)	(199,659)	n/a	n/a
Fine Dining	(236)	(204,625)	800	26,000
Home Furnishings	(256)	(221,819)	175	127,000

Average sales per square foot are based on HdL's overview of average statewide chain store sales. The square footage needed to close the gap is only on approximation and specific demand will vary with regional and local market conditions and individual retailers.

CALIFORNIA RETAIL ANALYTICS

Expanding Retailers and Retail Stores Sales Estimate



ECONsolutions collaborates with City staff, developers, and local real estate professionals to bring increased economic activity to your community.

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BUSINESS NAME	LEASABLE SQ FT IN 000'S	EST. ANNUAL TAX IN \$000'S	SITE PREFERENCES	EXPANSION AREA	CONTACT NAME	CONTACT INFORMATION
GENERAL RETAIL						
Ace Hardware	8-12	\$11-32	2, 4, 13, 14	CA - Northern	Robert Nelson	rnels@acehardware.com
Ace Hardware	8-12	\$11-35	2, 4, 13, 14	CA - Southern	Paul Overton	pover1@acehardware.com
Aki-Home	22-35	\$17-33	3, 4, 9	CA	Shumpei Yoshizawa	shumpei_yoshizawa@nitori-usa.com
Ann Taylor	4-7.5	\$14-30	6, 7, 9, 11, 13	CA	Whitney Welch	whitney_welch@anninc.com
Apple Stores	1-6	\$247-472	6, 7, 8	CA	Chris Morse	cmorse@apple.com
Athleta	2-5	\$20-42	11	CA	Rachel Rosenberg	rrosenberg@rkf.com
AutoZone	6.5-8	\$14-23	2, 3, 4, 13, 14	CA - Northern	Michael Chastain	michael.chastain@autozone.com
AutoZone	6.5-8	\$14-23	2, 3, 4, 13, 14	CA - Southern	Steven King	steven.king@autozone.com
Big 5 Sporting Goods	10-12	\$21-30	2, 3, 4, 6, 13	CA	Jim Berlin	jsb@big5corp.com
Big Lots	30-35	\$26-36	2, 4, 13, 14	CA	Joshua Nanberg	joshuananberg@biglots.com
Bob's Discount Furniture	25-60	NA	8, 4, 2, 13, 14	CA	Jim Reuter	jreuter@atlanticretail.com
Bowlero	35-40	NA	4, 3, 9	Nationwide	David Hochberg	dhochberg@BowleroCorp.com
Burlington	40-50	\$85-123	2, 3, 4, 13, 14	CA - Northern	Eric Corpuz	eric.corpuz@burlingtonstores.com
Burlington	40-50	\$85-123	2, 3, 4, 13, 14	CA - Southern	Chris Kiehler	chris.kiehler@burlingtonstores.com
Carter's	3.5-7	\$12-19	2, 9, 11, 13, 14	CA - Southern	Marc Klein	marc.klein@carters.com
Catherine's	4-5	\$4-7	3, 9, 13, 14	CA - Southern	Paul Bartlett	pbartlett@edge-re.com
Costco	115-150	\$1,000-1,400M4, 13		CA - Northern	Mike Dobrota	mdobrota@northwestatlantic.com
Costco	115-150	\$1,000-1,400M4, 13		CA - Southern	Steve McArthur	smcarthur@northwestatlantic.com
dd's Discounts	20-25	\$72-105	2, 8, 13, 14	CA - Southern	Jack Toth	jack.toth@ros.com
Dick's Sporting Goods	40-60	\$73-109	3, 4, 9, 13, 14	CA	Kristen Holst	kristen.holst@dcsq.com
Dollar General	9-12	\$11-17	2, 4, 8, 13, 14	CA - Northern	David Fritz	dfritz@dollargeneral.com
Dollar General	9-12	\$11-17	2, 4, 8, 13, 14	CA - Southern	Randy Wilson	rwilson@dollargeneral.com
Dollar Tree/Family Dollar	8-12/7.8-10	\$11-16	2, 4, 8, 13, 14	CA - Northern	Trace Johnson	trjohnson@dollartree.com
Dollar Tree/Family Dollar	8-12/7.8-10	\$11-16	2, 4, 8, 13, 14	CA - Southern	Jeff Forman	jforman@dollartree.com
Dress Barn	6.5-8	\$8-14	2, 3, 9, 13, 14	CA	Richard Sosnovy	richard.sosnovy@dressbarn.com
Five Below	8-10	\$18-27	3, 6, 7, 9, 11, 14	Nationwide	Zach Minter	zach.minter@fivebelow.com
Forever 21/F21 Red	20-100/12-20	\$25-50/\$34-47	2, 3, 6, 7, 8, 9, 11, 13, 14	CA - Northern	Matt Kircher	matt.kircher@cbre.com
Forever 21/F21 Red	20-100/12-20	\$25-50/\$34-47	2, 3, 6, 7, 8, 9, 11, 13, 14	CA - Southern	Mike Rielly	mrielly@townsendassociates.com
Fossil	1.5-5	\$2-42	3, 6, 7, 8, 9, 13, 14	Nationwide	Bob Higgins	bhiggins@fossil.com
Francesca's	1.2-1.4	\$4-6	3, 6, 7, 8, 9	Nationwide	Mike Stanley	michael.stanley@francescas.com
GameStop	1.5-2	\$12-15	2, 3, 6, 7, 8, 11, 13, 14	CA	Bree Russell	breerussell@gamestop.com
Guitar Center	9-20	\$25-66	2, 3, 4, 13, 14	Nationwide	Roberto Guerrero	rguerrero@guitarcenter.com
H&M	15-40	\$37-58	2, 6, 8, 13, 14	Nationwide	Kai Aejmelaesus	kai.aejmelaesus@hm.com
Harbor Freight Tools	13-18	\$39-\$60	2, 3, 4, 9, 13, 14	CA	Trey Feiler	tfeiler@harborfreight.com
Hibbett Sports	5-6	\$5-8	2, 3, 4, 6, 9, 13	CA	David Nichols	david.nichols@hibbett.com
Hobby Lobby	40-60	\$53-77	3, 4, 13	Nationwide	Scott Nelson	scott.nelson@hobbylobby.com
HomeGoods	24-28	\$70-\$100	4, 9, 13, 14	CA	Deborah Holmsen	deborah_holmsen@tjx.com
Indochino	2-3	NA	8, 9	CA	Dean Handspiker	dean.handspiker@indochino.com
Justice	4-5	\$10-14	2, 6, 9, 11, 13, 14	CA	John Beaney	jbeaney@edge-re.com
Kirkland's Home	6.5-10	\$12-16	2, 4, 11, 13, 14	Nationwide	Sarah Weaver Dickerson	sarah.dickerson@kirklands.com
Lane Bryant	5-7	\$7-12	3, 6, 7, 9	CA - Northern	Jason Gallelli	jgallelli@gallelire.com
Lane Bryant	5-7	\$7-12	3, 6, 7, 9	CA - Southern	Paul Bartlett	pbartlett@edge-re.com
Les Schwab Tire Center	10-15	\$17-30	4	CA	Rona Dhruv	rona.dhruv@lesschwab.com
Lululemon	3-3.2	\$30-60	8, 9	Nationwide	Wynn Spencer	wspencer@lululemon.com
Marshalls	20-35	\$96-122	4, 9, 13, 14	CA	Deborah Holmsen	deborah_holmsen@tjx.com
Nordstrom Rack	25-40	\$190-160	3, 6	CA	Tony Sekora	tony.sekora@nordstrom.com
Off Broadway Shoe Warehouse	18-20	\$16-49	2, 6, 11, 13, 14	CA	Kent Gonnerman	kgonnerman@rackroom.com
Party City	10-15	\$6-17	2, 3, 4, 13, 14	CA	Dane Gladden	dgladden@partycity.com
Petco	10-15	\$19-29	3, 4, 13, 14	CA	Bill Engen	bill.engen@petco.com
Rack Room Shoes	5-7	\$14-21	2, 3, 6, 7, 9, 11, 13	Nationwide	Rick Brown	rbrown@rackroom.com
Ross Dress for Less	25-30	\$80-\$121	2, 4, 6, 13	CA	Jack Toth	jack.toth@ros.com
Sally Beauty	1.2-1.8	\$6-9	2, 3, 9, 13	CA	Cathy Richards	crichards@sallybeauty.com
Sephora	5.2-5.5	\$60-103	2, 6, 9, 13, 14	Nationwide	David Hart	dave.hart@sephora.com
Sherwin-Williams	4-6	\$12-30	2, 4, 13, 14	CA	Ray Starbuck	rstarbuck@sherwin.com
Skechers	6-25	\$9-18	4, 11, 13, 14	Nationwide	Peter Mow	peterm@skechers.com
Sprint	1.5-2.8	\$0.8-5	3, 6, 7, 9, 11, 13	CA - Northern	Jeff Halbert	jhalbert@rosngkf.com
Sprint	1.5-2.8	\$0.8-5	3, 6, 7, 9, 11, 13	CA - Southern	Rob Pratt	rob@rlpratt.com
T.J. Maxx	20-31	\$81-122	4, 9, 13, 14	CA - Northern	Tami DeFrank	tami_defrank@tjx.com
T.J. Maxx	20-31	\$81-122	4, 9, 13, 14	CA - Southern	Anthony Mansour	amansour@clovercompany.com
T.J. Maxx	20-31	\$81-122	4, 9, 13, 14	San Diego County	Don Moser	dmoser@retailinsite.net
Target	100-178	\$295-392	2, 3, 4, 6, 8, 9, 13	CA	Brian Treber	brian.treber@target.com
The Home Depot	125-135	\$367-568	3, 4, 6, 8, 13	CA - Northern	Neil Danville	neil_a_danville@homedepot.com
The Home Depot	125-135	\$367-568	3, 4, 6, 8, 13	CA - Southern, Central	Jeff Hardman	jeffrey_s_hardman@homedepot.com
T-Mobile	1.5-2.5	\$2-7	2, 3, 4, 6, 7, 8, 9, 13	CA - Southern	Larry Simpson	larry.simpson31@t-mobile.com
Torrid	2.3-2.5	\$7-12	6, 7, 9	CA - Northern	Larry Keel	lkeel@hottopic.com
Torrid	2.3-2.5	\$7-12	6, 7, 9	CA - Southern	Pam Wallace	pwallace@hottopic.com
Tractor Supply	19-25	\$38-58	2, 4, 13, 14	Nationwide	Tim Hoelscher	thoelscher@tractorsupply.com
Tuesday Morning	10-15	\$10-16	2, 3, 4, 8, 13, 14	CA	Karen Slayton	kslayton@tuesdaymorning.com
ULTA Beauty	10-10.5	\$42-63	3, 6, 7, 9	CA	Pamela Lent	plent@ulta.com
Under Armour	5-12	\$40-75	6, 7, 9, 11	Nationwide	Patrick Stringer	pstringer@underarmour.com
Urban Outfitters	10-15	\$27-47	3, 6, 7, 8, 9	Nationwide	Wade McDevitt	site_submittals@mcdevitto.com
Verizon Wireless	1-5	\$22-45	2, 3, 4, 9, 13	CA	Elizabeth Johnson	elizabeth.johnson5@verizonwireless.com
Wal-Mart	40-235	\$320-527	3, 4	CA - Northern	Colin Sangster	colin.sangster@walmart.com
Wal-Mart	40-235	\$320-527	3, 4	CA	Damian Tutt	damian.tutt@walmart.com
WSS Shoes	10-14	\$31-43	1, 3, 4, 5, 12	CA	William Argueta	wargueta@shopwss.com

BUSINESS NAME	LEASABLE SQ FT IN 000'S	EST. ANNUAL TAX IN \$000'S	SITE PREFERENCES	EXPANSION AREA	CONTACT NAME	CONTACT INFORMATION
RESTAURANTS						

Bad Ass Coffee	0.7-2.5	NA	2, 4, 8, 13, 14	CA	Nick Naumann	nnaumann@weitzmangroup.com
Black Bear Diner	4-6	\$24-31	2, 3, 4, 9, 13, 14	CA	Mark Seferian	mark.seferian@blackbeardiner.com
Blaze Pizza	2.5-3	\$9-15	2, 3, 9, 13, 14	CA - Northern	Robert Kluger	robert.kluger@blazepizza.com
Blaze Pizza	2.5-3	\$9-15	2, 3, 9, 13, 14	CA - Southern	Garrett Snyder	garrett.snyder@blazepizza.com
Buffalo Wild Wings	4-7	\$34-51	2, 3, 4, 6, 8, 9	CA	Tom Berzinski	tberzinski@buffalowildwings.com
Burgerim	0.8-3	\$2-5	2, 3, 4, 8, 13, 14	CA	Stefan Siegel	realestate@iburgerim.com
Café Rio Mexican Grill	2.4-3	\$10-19	2, 4, 13, 14	CA	Donald Lewandowski	dlewandowski@caferio.com
California Fish Grill	2.8-3	\$19-31	2, 4, 13, 14	CA-Southern	Dani Mayer	mayerdani3@gmail.com
Chick-Fil-A	1-4.5	\$44-67	2, 3, 4, 6, 13	CA	Kevin Curtis	kevin.curtis@cfacorp.com
Chipotle	2.2-2.8	\$14-18	2, 4, 8, 13, 14	CA - Inland Region	James Beus	jbeus@chipotle.com
Chipotle	2.2-2.8	\$14-18	2, 4, 8, 13, 14	CA - Los Angeles, Central	Jessica Garcia	jessica.garcia@chipotle.com
Chronic Tacos	2-2.2	\$4-9	2, 3, 4, 9, 13, 14	CA - Northern	Blair Wheatley	blair.wheatley@cushwake.com
Coffee Bean & Tea Leaf	1.2-1.9	\$2-4	9, 5, 8, 9, 10, 12	CA	Patti Nelson	pnelson@coffeebean.com
Corky's Kitchen & Bakery	5-6	\$25-32	1, 2, 9, 12	CA-Southern	Brandon Beauchemin	Brandon.Beauchemin@cbre.com
The Counter Custom Burgers	2.5-3	\$10-22	3, 4, 9, 10, 12	Nationwide	Randy Caraucci	randy@thecounterburger.com
Cracker Barrel	11-12	\$55-75	3, 4	Nationwide	Joe Jaynes	joe.jaynes@crackerbarrel.com
Dickey's Barbecue Pit	1.6-2.5	\$5-7	3, 6, 7, 9, 10	Nationwide	John Lockett	realestate@dickeys.com
Dog Haus	1.8-2.2	\$7-10	2, 4, 13, 14	CA-Southern	Aditya Ramnath	aditya.ramnath@matthews.com
Dunkin' Donuts	1.5-2.6	\$2-5	2, 4, 13, 14	CA - Northern	Ed Williams	ed.williams@dunkinbrands.com
Dunkin' Donuts	1.5-2.6	\$2-5	2, 4, 13, 14	CA - Southern	Jason Askinosie	jason.askinosie@dunkinbrands.com
Eureka!	4-5	\$24-39	3, 8, 9	CA	Justin Nedelman	justin@eurekarestaurantgroup.com
Farmer Boys	2.8-3.2	\$16-21	4	CA	Joyce Dery	jdery@farmerboys.com
Firehouse Subs	1.4-2	\$6-8	2, 9, 13, 14	CA - Northern	Scott Kinner	scott.kinner@firehousesubs.com
Firehouse Subs	1.4-2	\$6-8	2, 9, 13, 14	CA - Southern	Jeff Press	jeff.press@firehousesubs.com
Five Guys Burgers & Fries	2.8-3.5	\$8-12	4, 8, 9, 13	CA	Rod Lucio	rlucio@fiveguys.com
Golden Corral	8-11	\$43-59	4	CA - Southern	Glen Kinkade	gkinkade@goldencorral.net
In-N-Out Burger	3-4	\$51-66	3, 4	CA - Northern	Kimberly Onishi	konishi@innout.com
In-N-Out Burger	3-4	\$51-66	3, 4	CA - Southern	Josie Auer	jauer@innout.com
Jersey Mike's Subs	1.2-1.8	\$2-3	2, 3, 4, 9, 13, 14	CA	Natalie Pebbles	npebbles@jerseymikes.com
Jimmy John's	1-1.5	\$0.4-1	2, 3, 8, 9, 13, 14	CA - Southern	Jason Gordon	jgordon@epsteen.com
L&L Hawaiian Barbecue	1-1.8	\$6-9	2, 3, 9, 11, 13, 14, 15	CA	Josie Akana	josie@llhawaii.com
Luna Grill	1.5-2.6	\$14-17	2, 4, 13, 14	CA - Southern	Lee Ann Rosenblum	lrosenblum@epsteen.com
Menchie's Frozen Yogurt	1.2-1.5	\$0.8-3	2, 3, 6, 8, 13, 14	CA - Southern	Lynn Aliment	lynn.aliment@menchies.com
Mendocino Farms	2.5-3.5	\$30-36	2, 4, 9, 13, 14	CA	Reid Tussing	reid@mendocinofarms.com
MOD Pizza	2-3	\$7-12	2, 3, 8, 9, 14	CA	Natasha Fischer	natashaf@modpizza.com
Mooyah Burger & Fries	1.8-2.4	\$6-12	2, 3, 8, 9, 14	CA - Northern	Loren Katzman	lkatzman@mooyah.com
Mooyah Burger & Fries	1.8-2.4	\$6-12	2, 3, 8, 9, 14	CA - Southern	Gregory Spalter	gsalter@mooyah.com
Panda Express	0.8-2.5	\$16-22	3, 4, 13, 15	CA	Lucy Gan	lucy.gan@pandarg.com
Panera Bread	3.5-4.5	\$15-23	2, 3, 4, 6, 9, 13, 14	CA	Tim O'Kane	tim.okane@panerabread.com
Pieology Pizzeria	1.8-3.1	\$7-12	2, 3, 6, 9, 13, 15	CA	Glynnelle Henson	ghenson@pieology.com
PizzaRev	2-3	\$6-11	2, 3, 8, 9, 12	CA	Emily Schade	805-418-5269
Raising Cane's	3-3.7	\$60-102	4	CA - Southern	Robert Montgomery	rmontgomery@raisingcanes.com
Septembers Taproom & Eatry	5-6	NA	1,2,5,9,12	LA, OC, RIV, SB Cnty	Brandon Beauchemin	Brandon.Beauchemin@cbre.com
Smashburger	1.8-2.2	\$8-12	2, 4, 13, 14	Nationwide	Jessica Johnson	jjohnson@smashburger.com
Sonic Drive-In	1.5-1.8	\$10-17	4	CA	Joe Morian	joe.morian@sonicdrivein.com
Starbucks	0.8-2	\$3-4	All	CA - Northern	Evelyn Yee	eyee@starbucks.com
Starbucks	0.8-2	\$3-4	All	CA - Southern	Mike Abbate	mabbate@starbucks.com
Steak 'n Shake	2-4.5	\$9-14	4, 7, 8, 9, 13, 14	CA - Northern	John Austin	ja@corecre.com
Stonefire Grill	4.5-6	\$52-78	1, 2, 9, 12	LA, OC, RIV, SB, SD, Ventura Cnty	Irwin Hayman	ihyman@neicapital.com
The Broken Yolk Cafe	3.5-6	\$16-22	2, 4, 13, 14	CA-Southern	Jared Davis	jared@pvpinc.com
The Habit Burger Grill	1.5-2.5	\$17-23	2, 3, 4, 8, 9, 13, 14	CA - Southern, Central	Shannon Coleman	scoleman@habitburger.com
The Habit Burger Grill	1.5-2.5	\$17-23	2, 3, 4, 8, 9, 13, 14	CA	Christopher Schlueter	cschlueter@habitburger.com
Waba Grill	1.4-2.5	\$5-8	2, 3, 5, 10	CA - Southern	Steven Wang	steven@wabagrill.com
Wingstop	1.2-1.8	\$9-16	2, 13, 14	CA- Bay Area	Michael Seigel	michael.seigel@cushwake.com
Zpizza Tap Room	2-3.8	\$3-5	2, 4, 9, 13, 14	CA	Chris Bright	c.bright@zpizza.com

FOOD & DRUGS

Aldi	16-18	\$10-15	2, 13, 14	CA	Skip Janes	skip.janes@aldi.us
BevMo	5-11	\$36-52	2, 3, 4, 13, 14	CA - Northern	Matt Alexander	matt.alexander@srsre.com
BevMo	5-11	\$36-52	2, 3, 4, 13, 14	CA - Southern	Paul Bartlett	pbartlett@edge-re.com
Cardenas/Mi Pueblo	35-45	\$29-42	2, 4, 13, 14	CA	Patrick Charriou	patrick@sageinvestco.com
CVS	11-13	\$15-31	2, 3, 4, 8, 9, 13, 14	CA - Northern	Stephen LaBonge	stephen.labonge@cvshealth.com
CVS	11-13	\$15-31	2, 3, 4, 8, 9, 13, 14	CA - Southern	Holly Jensen	holly.jensen@cvshealth.com
Grocery Outlet	15-25	\$12-22	4, 11	CA	Bill Coyle	bcogle@cfgo.com
Northgate Markets	40-45	\$20-38	2, 4, 13, 14	CA - Southern	Michael Navarro	michaeln@navaroretail.com
Rite Aid	14-18	\$21-33	3, 4, 8, 9	CA - Northern	Nathan Cromeenes	ncromeenes@riteaid.com
Rite Aid	14-18	\$21-33	3, 4, 8, 9	CA - Southern	Tracy Verastegui	tverastegui@riteaid.com
Safeway	42-55	\$64-87	4, 9, 13	CA - Northern	Steve Berndt	steve.berndt@safeway.com
Safeway	42-55	\$64-87	4, 9, 13	CA - Southern	Kevin Wing	kevin.wing@safeway.com
Smart & Final Extra!	20-35	\$31-46	2, 3, 4, 13, 14	CA - Northern	Kimberly Cervantes	kimberly.cervantes@smartandfinal.com
Smart & Final Extra!	20-35	\$31-46	2, 3, 4, 13, 14	CA - Southern	Pat Barber	pat.barber@smartandfinal.com
Sprouts Farmers Markets	23-28	\$28-40	2, 3, 4, 9, 13, 14	CA	Chuck Kutschko	chuckkutschko@sprouts.com
Total Wine & More	20-25	\$97-156	2, 3, 4, 6, 7, 8, 9, 14	CA	Phil Armstrong	parmstrong@totalwine.com
Walmart Neighborhood Market	30-45	\$66-91	2, 3	CA - Northern	Colin Sangster	colin.sangster@walmart.com
Walmart Neighborhood Market	30-45	\$66-91	2, 3	CA	Damian Tutt	damian.tutt@walmart.com
Whole Foods Market/365	30-45	\$73-109	2, 4, 8, 13	CA - Northern	Matt Holmes	mholmes@retailwestinc.com
Whole Foods Market/365	30-45	\$73-109	2, 4, 8, 13	CA - Southern	Patrick Gilhooly	pgilhooly@clovercompany.com
WinCo Foods	90-110	\$90-117	2, 4, 13, 14	CA - Northern	Mark Lavin	mark.lavin@wincofoods.com

KEY TO PREFERRED SITES:

1 Community Strip
2 Neighborhood Strip
3 Power Center
4 Freestanding
5 Pad/Out Parcel
6 Enclosed Regional Mall

7 Enclosed Super Regional Mall
8 Downtown / CBD
9 Lifestyle Center

10 Mixed Use
11 Outlet Center
12 Endcaps

13 Regional Strip Mall
14 Specialty Strip
15 Transit Terminal

RETAILERS EXPANDING IN CALIFORNIA

STORE TYPE	TYPICAL SQ FT IN 000'S	EXAMPLE STORES	EST. ANNUAL TAX IN 000'S	ANNUAL SALES/ SQ FT
WOMEN'S APPAREL STORES				
Accessories	1.5-3.5	Charming Charlie, Claires	\$4.5-\$7.5	\$150-\$350
Small Format	2-5	Catherine's, Chico's, Kate Spade, Torrid	\$9-\$15	\$250-\$650
Mid-Size Format	5-8	Ann Taylor, Charlotte Russe, Dress Barn, Lane Bryant, Maurices	\$9.5-\$18	\$190-\$300
Large Format	8-15	Anthropologie, Banana Republic, Express, Urban Outfitters, Zara	\$23-\$48	\$285-\$535
Bargain Chic	15-30	F21 Red, Forever 21, H&M, Uniqlo	\$30-\$65	\$170-\$330
MEN'S APPAREL STORES				
Casual	3-6	Casual Male XL, Nautica, Tommy Hilfiger, Van Heusen	\$7-18	\$230-\$470
Business Attire	4-6	Brooks Brothers, Jos. A. Bank, Men's Wearhouse	\$10.5-\$26	\$325-\$485
FAMILY APPAREL				
Children	3-10	Buy Buy Baby, Carter's, Gymboree, OshKosh B'Gosh, The Children's Place	\$8-\$17	\$190-\$450
Casual	20-45	Burlington, Gap, Kohl's, Old Navy	\$45-\$120	\$125-\$385
Discount	25-35	Marshalls, Nordstrom Rack, Ross, T.J. Maxx	\$80-\$125	\$300-\$415
SHOE STORES				
Small	2-3	Clarks, Cole Haan, Johnston & Murphy, Journeys, Stride Rite	\$6-\$12	\$300-\$450
Mid-Sized	3-6	Aldo, Payless ShoeSource, Rack Room Shoes, Shiekh, Skechers	\$4.5-\$11	\$130-\$260
Large	10-18	Boot Barn, DSW, Shoe City, WSS	\$17-\$38	\$200-\$375
Athletic	2-10	Adidas, Foot Locker, New Balance, Nike, Puma, Reebok, Under Armour	\$11-\$42	\$300-\$1,500
DEPARTMENT STORES/GENERAL MERCHANDISE				
Closeout / Dollar Stores	12-25	99 Cents Only, Big Lots, Dollar General, Dollar Tree, Family Dollar	\$11-\$25	\$70-\$150
Discount Department	125-150	Target, Walmart	\$295-\$485	\$250-\$300
Membership Warehouse*	140-180	Costco, Sam's Club	\$625-\$1,200	\$500-\$650
Traditional Department	100-150	Dillards, JC Penney, Macy's	\$135-\$270	\$150-\$225
Upscale Department	100-175	Bloomingdales, Neiman Marcus, Nordstrom, Saks	\$95-\$545	\$225-\$400
FOOD STORES				
Specialty Markets	15-30	Mother's Market, Sprouts Farmers Market, Trader Joe's, Whole Foods	\$33-\$65	\$180-\$360
Chain Supermarket*	45-55	Albertson's, Ralphs, Safeway, Stater Bros., Vons	\$52-\$80	\$125-\$155
Warehouse Grocery	35-80	Food 4 Less, Food Maxx, Smart & Final, WinCo	\$33-\$62	\$65-\$145
Ethnic Market	35-50	99 Ranch Market, Cardenas, El Super, H Mart, Northgate, Rio Ranch	\$20-\$38	\$60-\$90
DRUG STORES				
Drug Stores / Pharmacy	12-15	CVS, Rite Aid, Walgreens	\$18-32	\$170-\$215
RESTAURANTS				
Coffee House	1-2	Coffee Bean & Tea Leaf, Dunkin' Donuts, Peet's Coffee, Starbucks	\$2-\$4	\$165-\$330
Fast Food - Burger	2-4	Burger King, Carl's Jr., In N Out, Jack in the Box, McDonald's	\$13.5-\$30	\$575-\$1,140
Fast Food - Hispanic	2-3	Del Taco, El Pollo Loco, Miguel's Jr., Taco Bell	\$12-18	\$500-\$765
Fast Food - Asian	2-3	Ono Hawaiian BBQ, Panda Express, Pick up Stix, Yoshinoya	\$10-\$19	\$500-\$760
Fast Casual	2-3.5	Chipotle, Five Guys, Habit Burger, Mooyah, Panera Bread, Smashburger	\$12-\$20	\$440-\$770
Fast Casual - Pizza	2-3	Blaze Pizza, MOD Pizza, Pieology, Pizza Studio, PizzaRev, Zpizza	\$7.5-\$13	\$350-\$520
Family Dining	6-9	BJ's, Cheesecake Factory, Claim Jumper, Islands, Red Robin, TGI Fridays	\$30-\$72	\$565-\$845
Dinner House	7-10	Chart House, Fleming's, McCormick & Schmick, Nobu, Roys, Ruth's Chris	\$42-\$68	\$595-\$850
HOME IMPROVEMENT/FURNISHINGS				
Home Décor / Accessories	20-35	Bed Bath & Beyond, Cost Plus World Market, HomeGoods, Kirklands	\$30-\$85	\$185-\$325
Paint	4-6	Dunn Edwards, Sherwin Williams, Vista Paint	\$12-\$22	\$310-\$465
Home Improvement / Building Supply	100-150	Home Depot, Lowe's, ProBuild	\$280-\$480	\$260-\$400
Hardware	15-30	Ace Hardware, Harbor Freight Tools, Orchard Supply Hardware, True Value	\$14-\$55	\$130-\$265
Furniture/Bedroom	4.5-7	Ortho Mattress, Sit 'n Sleep, Sleep Number	\$8.5-\$28	\$240-\$375
Furniture/General	12-25	Aki-Home, Bassett Furniture, Ethan Allen, Mor Furniture for Less	\$30-\$68	\$225-\$470
Warehouse Furniture	80-250	Ashley Homestore, Ikea, Jeromes, Living Spaces, Mathis Brothers	\$165-\$800	\$160-\$500
Small Electronics	1-6	Apple, Microsoft	\$165-\$365	\$5,000-\$30,000
Cell Phones	1.5-4	AT&T, Sprint, T-Mobile, Verizon	\$8-\$35	\$400-\$1,000
Volume Electronics / Appliances	30-50	Best Buy, Fry's, Howards, Pacific Sales	\$80-\$270	\$335-\$555
MISCELLANEOUS RETAIL				
Bath & Beauty	3-10	Bath & Body Works, LUSH, Sephora, ULTA Beauty	\$20-\$58	\$425-\$1,400
Craft Shops	20-40	Hobby Lobby, Jo-Ann Fabrics & Crafts, Michaels Arts & Crafts	\$28-\$55	\$110-\$215
Multiplex Cinemas	40-160	Regal, AMC, Cinemark, Studio Movie Grill		\$650-1,000/screen
Office Supplies	18-25	OfficeMax, Staples, Office Depot	\$30-\$45	\$165-\$230
Party Supplies	10-15	Party City	\$8-\$22	\$75-\$110
Pet Supplies	10-15	Kahoots, Petco, Petsmart, Unleashed by Petco	\$22-\$45	\$200-\$310
Sporting Goods (Sm. Concept)	6-15	Big 5 Sporting Goods, Hibbett Sports	\$15-\$30	\$165-\$415
Sporting Goods (Lg. Concept)	25-50	Dick's Sporting Goods, REI	\$75-\$135	\$225-\$445

*May include gasoline sales.

HdL receives expanding retailer information from a variety of sources that tend to emphasize large regional and national chains with less focus on small, regional retailers. While many of these chains are also looking to expand, their plans are not as well publicized due to their size. HdL therefore encourages agencies to regularly communicate with their regional business community to maximize the expansion opportunities offered by these smaller chains.

On January 7, 2019, the Legislature reconvened. Governor Gavin Newsom and other Constitutional Officers were sworn into office and new bills have been introduced. The deadline to introduce new legislation is February 22nd. Additionally, the new Governor proposed his January Budget on Thursday, January 10, 2019. The following includes a summary of the Governor's proposed budget and updates for 2019 legislative statuses on bills related to sales and use tax, medical and adult use cannabis taxation and regulation, property taxation and economic development that HdL will be tracking.



Governors Proposed Budget

The \$209 billion budget proposal relies on record-setting tax revenues to boost public school spending and healthcare programs while proposing one-time spending to address the homeless/housing crisis and prepare for future natural disasters. In addition, the Governor proposes putting over \$13 billion into eliminating debts, increasing reserves and paying down unfunded pension liabilities.

Before accounting for transfers such as the Rainy-Day Fund, the General Fund revenue is higher than the 2018 Budget Act projections by \$8.1 billion from 2017-18 through 2019-20. General Fund revenue, including transfers, is expected to be \$137 billion in 2018-19 and \$143 billion in 2019-20. Department of Finance (DOF) attributes the projected increase since the 2018 Budget Act to an improved outlook for personal income tax driven by strong wage withholdings and capital gains.

Reserves are expected to grow to \$18.5 billion combined in 2019-20, with \$15.3 billion in the State's Rainy-Day Fund, \$2.3 billion in the Special Fund for Economic Uncertainty and \$700 million in the Social Services reserve.

Sales and Use Tax

The sales and use tax generated General Fund revenue of \$25 billion in 2017-18 is expected to generate \$26.2 billion in 2018 and \$27.4 billion in 2019-20.

- The sales tax revenue forecast outlined in the 2018 Budget Act has since been revised down. The newly revised figures reflect a reduction of \$378 million in 2017-18, \$430 million in 2018-19 and \$565 million in 2019.
- Receipts from sales tax, the state's second largest revenue source, are expected to contribute 18.8 percent of all State General Fund revenues in 2019-20.

Tax on Services

During the Governor's budget presentation, a member of the audience asked about taxing services. The Governor responded that it should be considered. Expanding California's sales tax to services has been a topic of conversation for years but never proceeds due to extreme opposition from those that perform services.

Wayfair v. South Dakota

DOF and CDFTA project an additional \$219 million in tax revenue in 2018-19 and \$554 million in 2019-20. These projections reflect the current South Dakota \$1,000,000/200 transactions annual exemption limits. The Assembly is currently attempting to pass legislation that would lower the exemption threshold to \$500,000 in total annual transactions and potentially increase state and local tax revenue. Please find additional information for AB 147 on page 3.

Medicinal and Adult-Use Cannabis

The DOF expects cannabis excise tax revenues to continue to increase with the legal cannabis market developing. They forecast the tax to generate \$355 million in 2018-19 and \$514 million in 2019-20. However, with their forecast, they caution that “revenue estimates for a newly created market are subject to significant uncertainty.”

The Budget includes \$200.6 million from the Cannabis Tax Fund and the Cannabis Control Fund. It also includes an additional \$2.9 million for CDFTA for a cannabis tax enforcement program to increase cannabis tax compliance.

Property Tax

Statewide property tax revenues are estimated to generate \$73.8 billion in 2019-20. A 6 percent increase in forecasted for 2018-19 and a 6.8 percent growth in 2019-20. Approximately 42 percent (\$31 billion) of 2019-20 property tax revenues will go to K-12 schools. This includes \$2.1 billion that schools are expected to receive in 2019-20 pursuant to the dissolution of redevelopment agencies.

Although sales volume declined slightly from 2017 to 2018, the budget anticipates continued solid growth in property tax revenue. The DOF bases this on their data that shows that the demand for homes outpaces supply in many areas of the state. Additionally, employment rates and income are projected to remain strong, contributing to the willingness of prospective homebuyers to enter into the housing market.

Property Tax Backfill

The Budget includes \$31.3 million to backfill wildfire-related property tax revenue losses for cities, counties and special districts. This includes funding for the following:

- \$11.5 million to backfill entities in Butte, Lake, Los Angeles, Orange, Riverside, Shasta, and Siskiyou counties for losses estimated to be incurred in 2019-20 as a result of the 2018 wildfires.
- \$16.1 million to backfill entities in Butte County for losses estimated to be incurred in 2020-21 and 2021-22 due to the Camp Fire.
- \$3.6 million to backfill entities in Lake County for losses estimated to be incurred in 2019-20, 2020-21 and 2021-22 resulting from the wildfires in 2015, 2016, and 2017.

The wildfire-related property tax revenue losses incurred by K-14 schools are backfilled under the Proposition 98 school funding mechanism. The Budget estimates K-14 schools will incur \$19 million in 2019-20 property tax revenue losses because of the November 2018 wildfires.



Legislative Update

ACA 2 (Nazarian) State Tax Agency

This would authorize the Legislature to abolish the State Board of Equalization and instead vest all powers, duties and responsibilities in a single state tax agency or separately in multiple state tax agencies. The measure would deem the CDTFA and the Office of Tax Appeals to be state tax agencies for purposes of these provisions and vest those entities specified powers, duties and responsibilities currently vested in the SBOE.

Status: Introduced December 3, 2018.

AB 72 (Committee on the Budget) Wildfire Recovery, Emergency Preparedness

The Senate passed this bill on February 12, 2019 and it's now on the Governor's desk awaiting a signature. This budget bill included the appropriation of \$31.3 million General Fund to backfill property tax losses incurred as a result of wildfires. This includes estimated current year losses for Butte, Lake, Los Angeles, Orange, Riverside, Shasta & Siskiyou counties; and estimated losses in 2019-20 and 2020-21 for the counties of Butte and Lake.



Sales and Use Tax Legislation

AB31 (C. Garcia) Sales and Use Tax Exemption for Feminine Hygiene Products

This bill, on or after January 1, 2020, would exempt sales and use taxes from the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of tampons, sanitary napkins, menstrual sponges and menstrual cups.

Status: Referred to Assembly Committee on Revenue & Taxation Committee on January 17, 2019.

AB 66 (Gonzalez) Sales and Use Tax Exemption for Diapers

This bill would exempt from sales and use taxes the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of diapers for infants and toddlers, designated size 3 or under.

Status: Referred to Assembly Committee on Revenue & Taxation committee on January 17, 2019.

AB 147 (Burke) Use Tax Collection for Retailers Engaged in Business in State

The Sales and Use Tax Law specifies that a retailer engaged in business in this state includes any retailer entering into agreements under which a person or persons in this state, for a commission or other consideration, directly or indirectly refer potential purchasers of tangible personal property to the retailer, whether by an Internet-based link or an Internet Web site, or otherwise, provided that the retailer meets specified total cumulative sales thresholds, including that the retailer has, during the preceding 12 months, total cumulative sales in this state of tangible personal property in excess of \$1,000,000. This bill would reduce that threshold to \$500,000. This bill would also define a retailer under the Sales and Use Tax Law to include every person who is registered with the department as a retailer for purposes of the Sales and Use Tax Law or who is a retailer engaged in business in this state as defined in that law and facilitates a retail sale by another seller that is not registered with the department and who 1) lists or advertises for sale, in any forum, tangible personal property owned by the seller that is subject to tax under the Sales and Use Tax Law, and 2) directly or indirectly through agreements or arrangements with third parties collects payment from the customer and transmits that payment to the seller, regardless of whether compensation or other consideration is received in exchange for its services. The bill would provide that a person meeting that definition who facilitates a sale of tangible personal property for another seller that is not registered under the Sales and Use Tax Law is the retailer "selling" or "making a sale of" the tangible personal property for purposes of use tax collection.

Status: Referred to the Assembly Committee on Revenue & Taxation on January 24, 2019.



DOF and CDFTA project an additional \$219 million in tax revenue in 2018-19 and \$554 million in 2019-20 resulting from the Wayfair v. South Dakota Supreme Court decision.

AB 176 (Cervantes) California Alternative Energy and Advanced Transportation Financing Authority

This bill would extend the authorization to provide financial assistance in the form of a sales and use tax exclusion for qualifying alternative energy projects from January 1, 2021, to January 1, 2031. Under current law, the California Alternative Energy and Advanced Transportation Financing Authority Act authorizes the California Alternative Energy and Advanced Transportation Financing Authority to provide financial assistance in the form of a sales and use tax exclusions from exceeding \$100,000,000 for each calendar year. Qualifying alternative energy projects that promote California-based manufacturing, reduction in greenhouse gases, or reduction in air and water pollution or energy consumption. *Status: Referred to the Assembly Committee on Natural Resources and Revenue and Taxation on January 24, 2019.*

AB 321 (Patterson) Trucks for Use In Interstate Or Out-of-state Commerce Exemption

This bill would exclude sales and use tax from the sale of, or the storage, use, or consumption of, a new, used, or remanufactured truck with an unladen weight of 6,000 pounds or more that is purchased for use within this state. *Status: Introduced January 30, 2019.*

AB 399 (Brough) Hazardous Substance Tax Law Remittance

Current law requires hazardous waste disposal fees and hazardous waste facility and generator fees be administered and collected by CDTFA in accordance with the Hazardous Substances Tax Law. Existing law requires a fee payer, within 30 days of the date of assessment, to deliver a remittance of the amount of those assessed fees to the office of the department. This bill would require a fee payer to deliver that remittance to the office of the department within 45 days, instead of 30 days of the date of assessment. *Status: Introduced February 6, 2019.*

AB 405 (B Rubio) Water Treatment Tax Exemption

This bill would exempt the gross receipts from the sale, storage, use, or other consumption in this state of, chemicals used to treat water, recycled water, or wastewater from sales and use tax regardless of whether those chemicals or other agents become a component part thereof and regardless of whether the treatment takes place before or after the delivery to consumers. *Status: Introduced February 7, 2019.*

AB 421 (Waldron) Transportation finance: De Luz Community Services District

With respect to the portion of revenues that is derived from increases in the motor vehicle fuel excise tax beginning in 2010, current law requires, after certain allocations are made, the Controller allocate the remaining amount of this portion of revenues; 44% to the state transportation improvement program, 12% to the State Highway Operation and Protection Program and 44% to cities and counties for local street and road purposes. This bill would require the Controller to allocate a portion of these revenues available for counties to the De Luz Community Services District for local street and road purposes as though the De Luz Community Services District were a county. The bill would thereby make an appropriation. *Status: Introduced February 7, 2019.*

SB 43 (Allen) Carbon Taxes

This bill would require the State Air Resources Board, in consultation with the CDTFA, to submit a report to the Legislature on the results of a study, as specified, to propose, and to determine the feasibility and practicality of a system to replace the tax imposed pursuant to the SUT Law with an assessment on retail products sold or used in the state based on the carbon intensity of the product to encourage the use of less carbon-intensive products.

Status: Referred to Senate Committee on Environmental Quality and the Senate Committee on Governance and Finance on January 16, 2019.

SB 162 (Galgiani) California Alternative Energy and Advanced Transportation Financing Authority Sales and Use Taxes Exclusions

The California Alternative Energy and Advanced Transportation Financing Authority Act establishes the California Alternative Energy and Advanced Transportation Financing Authority. The act authorizes, until January 1, 2021, the authority to provide financial assistance to a participating party in the form of specified sales and use tax exclusions for projects, including those that promote California-based manufacturing, California-based jobs, advanced manufacturing, reduction of greenhouse gases, or reduction in air and water pollution or energy consumption. This bill would extend the sales and use tax exclusion for qualifying projects until January 1, 2030.

Status: Referred to the Senate Governance and Finance Committee on February 6, 2019.



Cannabis-Related Legislation

AB 141 (Cooper) Cannabis Informational, Educational or Training Events

This bill would allow retailers, cultivators and manufacturers that are licensed under MAUCRSA to participate in, and not be required to obtain a temporary cannabis event license or other temporary license for a cannabis informational, educational or training event for state and local government officials and their employees.

Status: Referred to the Assembly Committee on Business and Professions on January 24, 2019.

AB 286 (Bonta) Cannabis Tax

The Control, Regulate and Tax Adult Use of Marijuana Act (AUMA) imposed an excise tax commencing January 1, 2018 on the purchase of cannabis and cannabis products at the rate of 15% of the average market price of any retail sale by a cannabis retailer. Commencing January 1, 2018, AUMA also imposed a cultivation tax upon all cultivators on all harvested cannabis that enters the commercial market. This bill would reduce that excise tax rate to 11% on and after the operative date of this bill until June 1, 2022, at which time the excise tax rate would revert back to 15%. This bill would suspend the imposition of the cultivation tax on and after the operative date of this bill until June 1, 2022.

Status: Referred to the Assembly Committees on Revenue and Taxation and Business and Professions on February 7, 2019

SB 51 (Hertzberg) Cannabis Financial Institutions

This bill would create the Cannabis Limited Charter Banking and Credit Union Law to be administered by the Commissioner of Business Oversight and the Department of Business Oversight. The bill would create the Cannabis Limited Charter Bank and Credit Union Advisory Board and specify its composition to include the Treasurer, the Controller and the Chief of the Bureau of Cannabis Control, and commit the general responsibility that this law functions in a safe and efficient way.

Status: Referred to the Senate Banking, and Financial Institutions Committee on January 16, 2019.



Property Tax Legislation

AB 42 (Gallagher) Disaster Relief for County of Butte Camp Fire

This bill would state the intent of the Legislature to enact legislation that would provide property tax revenue reductions resulting from reassessments for damages incurred within the County of Butte due to the 2018 Camp Fire.

Status: Introduced December 3, 2018.

AB 213 (Reyes) Property Tax Revenue Allocation Adjustments for Vehicle License Fee

This bill, for the 2019-2020 fiscal year, will alter the vehicle license fee adjustment fee calculation to the product of that sum and the percentage change in gross taxable assessed valuation within the jurisdiction of that entity between the 2018-2019 fiscal year and the product of the amount of specified motor vehicle license fee revenues that the Controller allocated to the applicable city in July 2010 and 1.17. Additionally, beginning fiscal year 2020-2021, the vehicle license fee adjustment would amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year and the product of the amount as so described and the percentage change from the prior fiscal year in gross taxable assessed valuation within the jurisdiction of the entity.

Status: Referred to the Committee on Local Government on February 4, 2019.

ACA 1 (Aguiar-Curry) Voter Approval for Affordable Housing and Public Infrastructure Exception

The California Constitution prohibits the ad valorem tax rate on real property from exceeding 1% of the full cash value of the property, subject to certain exceptions. This measure would create an additional exception to the 1% limit that would authorize a city, county, or city and county to levy an ad valorem tax to service bonded indebtedness incurred to fund the construction, rehabilitation, or replacement of public infrastructure or affordable housing, if the proposition proposing that tax is approved by 55% of the voters of the city, county, or city and county, as applicable, and the proposition includes specified accountability requirements.

Status: Introduced December 3, 2018.

SB 196 (Beall) Community Land Trust Welfare Exemption

Current property tax law provides for a “welfare exemption” for property used exclusively for religious, hospital, scientific, or charitable purposes and that is owned or operated by certain types of nonprofit entities, if certain qualifying criteria are met. This bill, for lien dates occurring on and after January 1, 2020, would provide that property is within the welfare exemption if that property is owned by a community land trust and the property is being or will be developed or rehabilitated as housing.

Status: Introduced January 31, 2019.

SCA 3 (Hill) Inheritance Exclusion for Change in Ownership

Summary: The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, “full cash value” is defined as the assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value” or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. The California Constitution specifies various transfers that are not deemed to be a “purchase” or “change in ownership” of a property for these purposes, including the purchase or transfer of a principal residence from parents to their children, or, under certain circumstances, from grandparents to their grandchildren, and the purchase or transfer of the first \$1,000,000 of the full cash value of all other real property transferred from parents or grandparents to their children or grandchildren. This measure would limit the above-described \$1,000,000 exclusion for purchases or transfers of real property other than a principal residence to purchases or transfers of nonresidential real property.

Status: Read in the Assembly Committee on Rules on January 7, 2019



Economic Development Legislation

AB 11 (Chiu) Community Redevelopment Law of 2019

This bill would authorize a city or county, or two or more cities acting jointly, to propose the formation of an affordable housing and infrastructure agency by adoption of a resolution of intention that meets specified requirements, including that the resolution of intention include a pass-through provision and an override pass-through provision.

Status: Referred to the Assembly Committee on Housing and Community Development on January 17, 2019.

SB 5 (Beall) Local-State Sustainability Investment Incentive Program

This bill would establish the Local-State Sustainable Investment Incentive Program which would be administered by the Sustainable Investment Incentive Committee. This would authorize a city, county, city and county, joint powers agency, enhanced infrastructure financing district, affordable housing authority, community revitalization and investment authority or transit village development district to apply to the Sustainable Investment Incentive Committee to participate in the program and would authorize the committee to approve or deny applications for projects meeting specific criteria. *Status: Referred to the Senate Committee on Governance and Finance January 24, 2019.*

SB 15 (Portantino) Redevelopment

The Community Redevelopment Law authorized the establishment of redevelopment agencies in communities to address the effects of blight, as defined. Existing law dissolved redevelopment agencies as of February 1, 2012, and provides for the designation of successor agencies, as defined, to wind down the affairs of the dissolved redevelopment agencies. This bill would state the intent of the Legislature to enact legislation relating to redevelopment. *Status: Referred to the Senate Committee on Rules January 16, 2019.*

SB 128 (Beall) Change in Bond Issuance Requirements for Enhanced Infrastructure Financing Districts

Existing law authorizes the legislative body of a city or a county to establish an enhanced infrastructure financing district, with a governing body referred to as a public financing authority, to finance public capital facilities or other specified projects of communitywide significance. Existing law authorizes the public financing authority to issue bonds for these purposes upon approval by 55% of the voters voting on a proposal to issue the bonds and requires the proposal submitted to the voters to include specified information regarding the bond issuance. This bill would instead authorize the public financing authority to issue bonds for these purposes without submitting a proposal to the voters and require the resolution to issue bonds to contain specified information related to the issuance of the bonds. *Status: Referred to the Senate Committee on Governance and Finance January 24, 2019.*

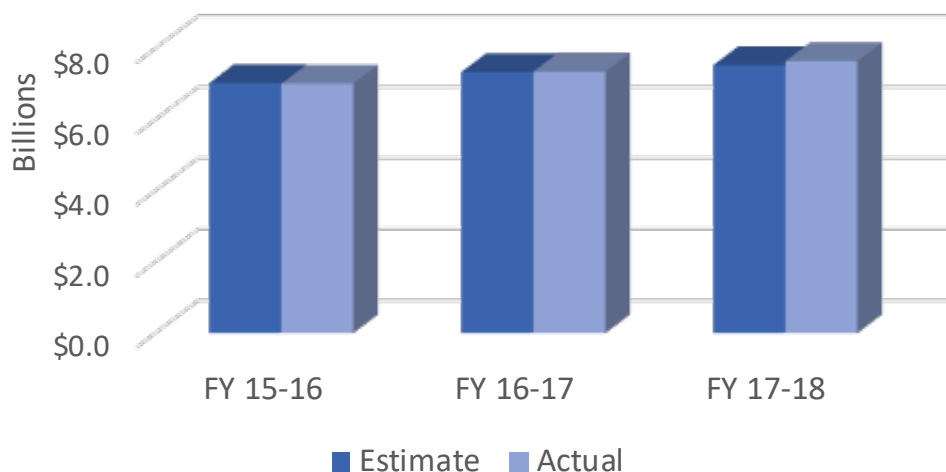
STATEWIDE 2011 LOCAL REVENUE FUND FORECAST

HdL has developed a method to estimate statewide 2011 Local Revenue Fund (LRF) allocations with the goal of further enhancing the breadth and value of services we provide to County clients. These estimates will be shared every quarter, along with County Proposition 172 Public Safety Fund projections. We believe this new information will be helpful to County clients throughout the state given the size and importance of this revenue source.

HdL's Local Revenue Fund estimates are based primarily on our quarterly Consensus Forecast economic projections for Bradley-Burns sales tax and, as a result, the estimates are sensitive to changes in the state's retail sales outlook. As with any economic forecast, accuracy may be impacted by unforeseen events or state accounting adjustments.

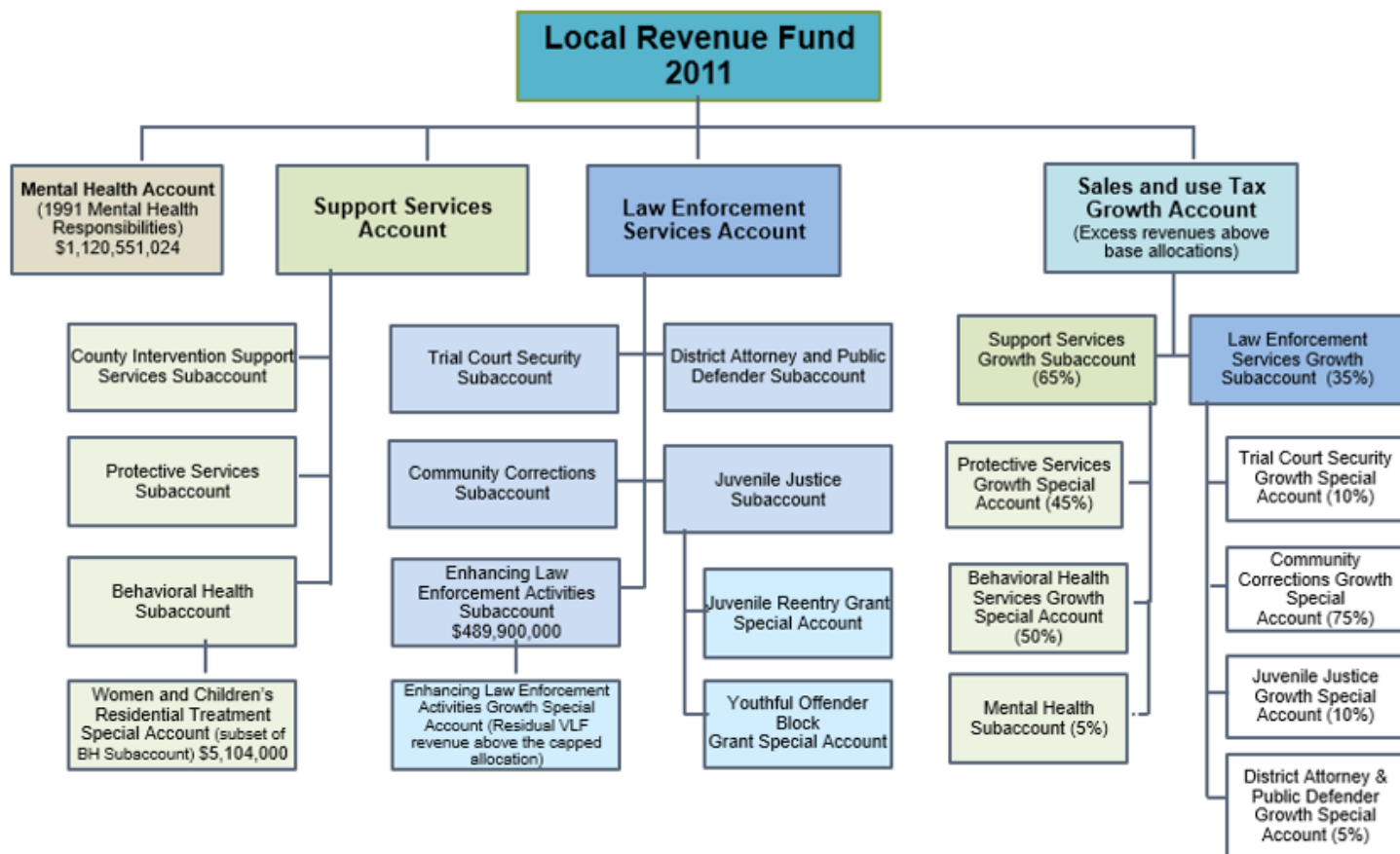
There is limited historical data available to back-test our model as the 2011 Local Revenue Fund has, until recently, been subject to numerous one-time adjustments. Nevertheless, we are pleased with retroactive comparisons of model estimates to actuals summarized in the chart below and we have reason to believe that the forecasts will deliver results that are within an acceptable level of variance. We will track accuracy over time and work to improve the forecast methodology as additional historical results become available for further analysis.

Back-test: Local Revenue Fund Projection Accuracy
Average accuracy within 0.6% over the last 3-years



Allocations from the Statewide 2011 Local Revenue Fund are distributed to Counties based on ratios that change each year. For additional assistance, the California State Association of Counties (CSAC) has compiled helpful information on realignment posted on its Realignment 101 Course Materials webpage. Notably, the *Statewide Local Revenue Fund Forecasting Workbook - Excel* spreadsheet on that page will aid in identifying individual allocation ratios by County for the 2011 Local Revenue Fund.

As an overview, allocations from the 2011 Local Revenue Fund are allocated to various subaccounts as depicted in the following graphic before being allocated to County agencies. Our accompanying forecast provides a projection of 2011 Local Revenue Fund allocations by each major account depicted in the graphic below, including the Mental Health Account, Support Services Account, Law Enforcement Services Account and the Sales and Use Tax Growth Account.



Attribution: Graphic from CSAC's "Realignment 101: The Basics of 1991 and 2011 Realignments" training program

If you have questions, please contact Ken Brown at 714-879-5000, or kbrown@hdlcompanies.com



LANDMARK WAYFAIR DECISION FACILITATES COLLECTION OF ONLINE RETAIL SALES AND USE TAXES

Over the next two months, the California Department of Tax and Fee Administration (CDTFA) will begin implementing a recent U.S. Supreme Court decision that will facilitate state and local government taxation of online retail sales, a revenue source that CDTFA estimates may represent up to \$2 billion dollars annually in combined state, county, city and special district tax revenues. This landmark case could have serious implications not only for local governments but for California's overall fiscal health, given that sales and use tax is the second largest revenue source for the State General Fund.

A Bit of Tax History

Use tax was first imposed in 1935 to protect California retailers by discouraging buying from out of state to avoid the state sales tax. Accordingly, consumers who purchase tangible personal property from out of state are liable for use tax at a rate equivalent to their local sales tax, however consumers often do not report the tax. Use tax is also imposed on the storage, use, lease or other consumption of tangible personal property any time a sales tax has not been paid by the retailer.

The growth in e-commerce sales has exacerbated the problem since many online retailers do not have a "physical presence" in the state and are therefore not required to collect and remit sales and use taxes associated with their transactions in California. With the slow but steady rise in online sales in recent years, which the CDTFA maintains, shows that online sales now account for 10 percent of total retail sales in California. This "sales tax gap" has become a source of increasing concern for both state and local governments.

AB 155: California's Initial Attempt at Online Retailer Accountability

The first successful effort to address this problem was in 2011 when the Legislature enacted AB 155. This expanded the universe of online businesses required to collect and remit use tax by creating a new nexus for three categories of retailers:

- 1) Retailers with an Affiliate Nexus: Those retailers who enter into agreements with California residents under which the resident, for consideration, refers customer to the retailer, and cumulative gross receipts for the retailer exceeded \$10,000 annually. This has also been called the "click-through" nexus.
- 2) Retailers with a Corporate Nexus: Those retailers who are members of a commonly controlled group that performs services in the state related to tangible personal property sold by the retailer.

- 3) Retailers with a Long-Arm Nexus: Any retailer that has a substantial nexus in the state for purposes of the Commerce Clause of the U.S. Constitution, and upon whom federal law allows the state to impose a duty to collect tax. (This is California's long-arm statute).

AB 155 mainly affected online retailers but its implementation was delayed until 2012 under a deal Amazon struck with the state, which gave it time to build warehouses, thereby creating both jobs and a physical presence in California. But the long-arm provision is the most important in the context of the Wayfair decision. It will allow California to adjust its tax collection procedures to follow the Supreme Court decision, possibly based on the provisions in South Dakota's law.

South Dakota: The Road to Wayfair

In 2016, South Dakota enacted S.106, a law requiring remote sellers to pay sales tax if they met one of two conditions in the prior or current calendar year:

- 1) Their gross revenue exceeded \$100,000; or
- 2) They made 200 or more separate sales transactions to South Dakota residents.

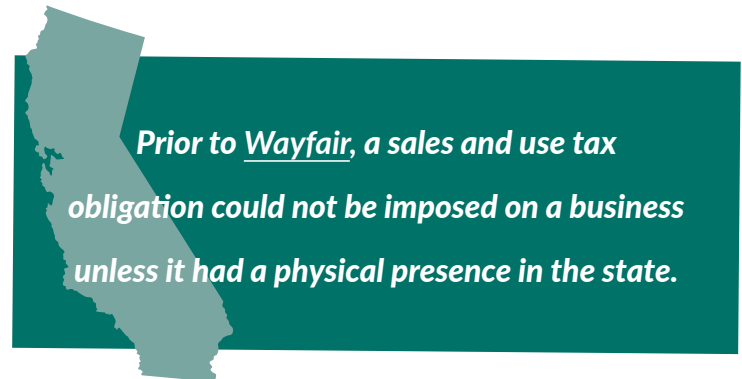
Some remote sellers refused to comply with the new law. South Dakota responded by suing three of the largest online retailers in the state: Wayfair, Overstock.com, and New Egg, all businesses with annual revenue of over \$1 billion. The trial court and the South Dakota Supreme Court ruled in favor of the remote sellers, citing the physical presence requirement established in Quill Corp. v. North Dakota, 502 U.S. 808 (1992) and National Bellas Hess, Inc. v. Dept. of Revenue of Illinois, 386 U.S. 753 (1967). South Dakota appealed to the U.S. Supreme Court.

Wayfair Paves the Way to Taxation of Online Retailers

In June 2018, the U.S. Supreme Court in the case of South Dakota v. Wayfair, Inc. 138 S. Ct. 2080 overturned a legal precedent dating back to 1967 when it eliminated the "physical presence test" for determining a substantial nexus that would allow a state to require a business to collect and remit sales and use tax. Prior to Wayfair, a sales and use tax obligation could not be imposed on a business

unless it had a physical presence in the state seeking to impose the obligation. With the Wayfair decision, a major obstacle requiring online retailers to pay their fair share of sales and use tax has been removed.

The U.S. Supreme Court overruled Quill and Bellas Hess, calling the physical presence requirement an "arbitrary measure" that does not "put businesses on an even playing field." The Court vacated the lower court rulings and found that the South Dakota law met the substantial nexus requirement established in Complete Auto Transit, Inc. v. Brady, 430 U.S. 274 (1977), satisfying the Commerce Clause requirements for the validity of state taxes.



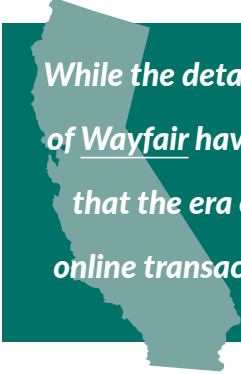
In announcing its decision, the Court cited aspects of South Dakota's law that protects interstate commerce:

- 1) It has a safe harbor for limited business activity;
- 2) It has no retroactive application; and
- 3) It includes a system to reduce administrative and compliance costs, as it follows the Streamlined Sales and Use Tax Agreement (SSUTA), requiring member states to adopt uniform definitions, state level tax administration, and the provision, free of charge, of compliance software to retailers with audit protection for those who use it.

CDFTA Director Nicolas Maduros, in a joint hearing before the Senate Governance and Finance Committee and the Assembly Revenue and Taxation Committee on October 15, 2018, laid out in general terms the plan for implementing Wayfair in California. In concentrating on online retailers, the department will focus on the collection of the use tax since California law provides that effective sales tax collection must involve in-state participation or negotiation by the retailer. Maduros testified that the "full contours" of implementation are not yet known. For example, the volume of sales that will trigger use tax obligations for online retailers has yet to be established.

Maduros made it clear that California's implementation will not be retroactive, and that his department plans to issue a notice by the end of the year informing online businesses of the need to comply with California sales and use tax law.

During the joint legislative hearing on October 15th, legislators in Sacramento questioned whether California, with its significantly larger economy, should have a different threshold for use tax collection than that employed in South Dakota. It is not yet clear if CDTFA will pursue a different standard but the department has publicly acknowledged that imposing a different standard will require state legislation which would of necessity delay the department's implementation efforts.



While the details of California's implementation of Wayfair have not been ironed out, it appears that the era of avoiding sales and use tax in online transactions is finally coming to an end.

Implementing Wayfair in California

At its October 24th Stakeholder Meeting in Sacramento, CDTFA announced its intention to implement Wayfair by making use of the "long-arm statute" created by AB 155. The long-arm statute enables the state to impose a tax collection requirement on any retailer that has a substantial nexus with the state for purposes of the Commerce Clause of the U.S. Constitution. Again, the U.S. Supreme Court in Wayfair opined that South Dakota's threshold (\$100,000 or 200 individual transactions) established a sufficient nexus for the state to mandate collection of the applicable use tax. CDTFA has signaled its intention to use the South Dakota standard for California.

Impact on Local Governments

As California prepares to implement the Wayfair decision, cities and counties have a strong incentive to remind state officials to consider the likely impact on local governments in advance of any action. Additionally, they should consider how that action will affect local voter-approved transactions and use taxes, the municipal share of the sales

tax, as well as the pooling arrangements for revenues by which use tax is allocated on a pro-rata basis to cities and counties.

Over time, cities and counties should generate additional revenues if they are resourceful in both lobbying the state as it crafts changes to safeguard their interests in the post-Wayfair environment, and in devising ways to apply the substantial nexus test without the obstacle of the physical presence requirement.

There is also the threshold question of what the test will be for local governments to impose a valid tax, with the physical presence test now eliminated. Any guidance issued by the state will hopefully make it clear when a substantial nexus does and does not exist.

Summary

While the details of California's implementation of Wayfair have not yet been ironed out, it appears that the era of avoiding sales and use tax in online transactions is finally coming to an end. This is good news for local governments whose destination-based sourcing for transactions and use taxes helps keep revenues in local communities.

CDTFA's plan to employ the state's long-arm statute and begin to more aggressively enforce collection of revenues will begin to address the revenue gaps identified by a 2017 State Board of Equalization Study citing remote-seller-related revenue losses of \$1.4 billion. As CDTFA's Wayfair reforms take hold, local governments should begin to realize the first increased revenues by Fiscal Year 2019-20 and greater amounts by 2020-21.

Click the links below for additional information:

[Senate Media Archive](#) for the Joint Hearing on October 15th of the Senate Governance and Finance Committee and the Assembly Revenue and Taxation Committee

CDTFA October 24th [Stakeholder Meeting](#)

Text for [AB155](#)



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How US Retailers Turn Their Bane into Boon with 'Click and Collect'

As retail casualties such as Sears or Toys 'R' Us kept piling up, costly real estate often got the blame for traditional retailers' struggle to keep up with e-commerce rivals. Yet last U.S. holiday shopping season showed stores may offer retailers a rare competitive advantage as they scramble to fend off the challenge from e-commerce giant Amazon.com and other online retailers. Enter "click and collect." Sales where customers order goods online and pick them up at a nearby store soared 47 percent in November and December compared with a year earlier, outstripping 16.5 percent growth in online

sales, according to Adobe Analytics. [Read More](#)

Sales at County's Biggest Restaurant Chains Improved in 2018

Sales at the 500 largest restaurant chains in the U.S. rose 3.3% last year, according to Technomic's Top 500 Chain Restaurant Advance Report, as the industry proved more resilient than expected in the face of a challenging environment. The chains generated \$318 billion in total sales in 2018, up from \$308 billion the year before, as both fast-casual and fine-dining chains grew quickly on the back of an improving economy. [Read More](#)

Tesla is Keeping Its Stores Open but Increasing Prices To Do It

Last month, electric car company Tesla announced that it was saying goodbye to brick-and-mortar stores and would try to sell its cars completely online. Now, in a blog post, the company has announced that it's not quite done with physical stores after all. Ten percent of the company's stores have already been shuttered, and another 10 percent are "under review," but that's as far as the cuts will go for now. The saving grace will also mean that Tesla "will need to raise vehicle prices by about 3% on average worldwide," the blog post reads, with an exception on its mass-market Model 3, whose lowered price has been a priority for the California-based company. [Read More](#)

JC Penney Closing More Stores After Weak Holiday Season

J.C. Penney is closing more stores following weak holiday sales season for the retailer. Net income tumbled nearly 70 percent, and a key measure for health dropped 4 percent in the fourth quarter, the most crucial period of the year for retailers who bank on strong holiday sales. The company did top expectations for the fourth quarter results and under new CEO Jill Soltau, the department store rid itself of unprofitable inventory and said it will have positive free cash flow this year. [Read More](#)

Payless Bankruptcy Spells Trouble for Vulnerable Malls

Payless ShoeSource, the retailer that once ruled the U.S. shoe market, is taking its last steps. The company, founded in 1965, announced that it had filed for its second bankruptcy and would be closing all its stores across the country. Payless is a tenant at many regional malls, many of which have had other troubled in-line tenants. While in many big cities, vacant retail in prime areas is sure to get snapped up quickly, shopping

malls already struggling with store closures are vulnerable, according to a just-released report by credit rating agency DBRS. [Read More](#)

Charlotte Russe Will Close All of Its Stores and Start Liquidation

Charlotte Russe will close all of its stores and is in negotiations to sell its intellectual property, the company confirmed. The Charlotte Russe online store has closed and the in-store liquidation sale began Thursday at 416 stores. Like with other liquidation sales, all sales are final. The last day to use gift cards is March 21 and all stores are expected to be closed by April 30. [Read More](#)

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HdL provides relevant information and analysis on the economic forces affecting local government agencies. We serve over 400 cities, counties and special districts in California. Our allocation audits and software help local governments maximize



By The Numbers

Percent of change from one year ago.

CALIFORNIA DATA

Ports (January):

Containers

Imported ↑ **3.46%**

Exported ↓ **-2.70%**

Airport Traffic (December)

Passengers

Domestic ↑ **3.87%**

International ↑ **0.07%**

their revenues.

**We Deliver Revenue, Insight and Efficiency
to Local Government.**

Unemployment Rate:

January 2018 4.4%

January 2019 4.2%

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[Volume 9 Issue 1, January 23, 2019](#)

[Volume 9, February 15, 2019](#)