

Q1 2018



City of Moorpark Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Moorpark In Brief

Moorpark's receipts from January through March were 5.0% above the first sales period in 2017.

Strong returns from multiple business-industry categories including electrical equipment and heavy industrial merchants were largely responsible for the overall growth. Steady price increases at the pump, mostly due to the global cost of crude oil and the implementation of SB-1 locally, pushed service stations higher.

Solid results from electronic/appliance and home furnishing stores lifted general consumer goods.

This growth in local point of sale revenue and increased capital in addition to online purchases of items shipped into the region boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

The closeout of an eatery and sluggish sales by casual dining establishments hurt restaurants, partially offsetting the gains.

Net of aberrations, taxable sales for all of Ventura County grew 4.2% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Simi Valley Harley Davidson
Campus Plaza Shell	Smart & Final
Command Performance Catering	Target
Dick's Sporting Goods	Testequity
In N Out Burgers	TJ Maxx
Kohls	Tom Lindstrom RV
McDonalds	Tractor Supply
Michaels	Universal Instruments Corporation
Moorpark Chevron	Vons
Moorpark Petroleum	Warehouse Discount Center
National Ready Mixed Concrete	Western Refining Retail
Pentair Pool Products	Wood Ranch BBQ Grill
Pindler & Pindler	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$3,575,815	\$3,933,748
County Pool	455,194	480,608
State Pool	2,712	1,270
Gross Receipts	\$4,033,721	\$4,415,626
Cty/Cnty Share	(133,113)	(145,716)
Net Receipts	\$3,900,608	\$4,269,910

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

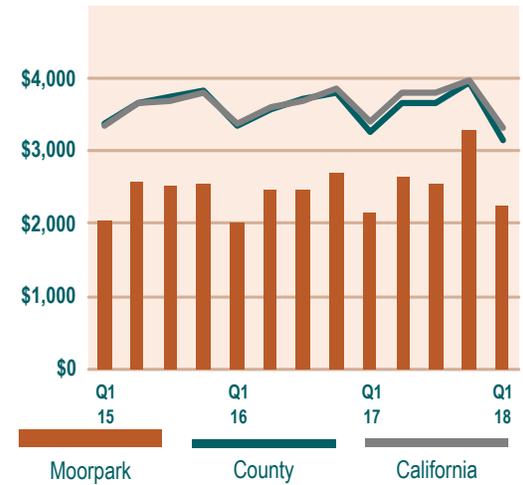
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

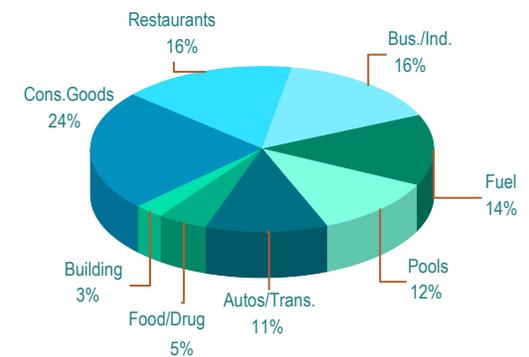
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Moorpark This Quarter



MOORPARK TOP 15 BUSINESS TYPES

Business Type	Moorpark		County	HdL State
	Q1 '18	Change	Change	Change
Boats/Motorcycles	— CONFIDENTIAL —		7.9%	3.7%
Casual Dining	56,485	-5.3%	-2.3%	-2.0%
Contractors	— CONFIDENTIAL —		29.0%	21.5%
Department Stores	— CONFIDENTIAL —		-36.7%	-35.1%
Discount Dept Stores	— CONFIDENTIAL —		3.7%	2.8%
Electrical Equipment	66,315	79.5%	27.6%	2.1%
Electronics/Appliance Stores	50,826	23.7%	1.1%	0.8%
Family Apparel	— CONFIDENTIAL —		6.3%	8.2%
Fast-Casual Restaurants	17,127	-24.4%	6.6%	6.8%
Grocery Stores	24,712	37.0%	1.9%	1.9%
Home Furnishings	17,289	76.3%	-2.5%	-1.0%
Light Industrial/Printers	32,753	-10.3%	-37.4%	-12.2%
Quick-Service Restaurants	63,972	3.1%	-5.5%	-3.8%
Service Stations	127,920	12.0%	6.0%	4.6%
Trailers/RVs	— CONFIDENTIAL —		-16.6%	8.4%
Total All Accounts	826,202	4.8%	-3.1%	-1.8%
County & State Pool Allocation	108,950	6.6%	-1.4%	-2.1%
Gross Receipts	935,152	5.0%	-2.9%	-1.8%
City/County Share	(30,860)	-5.0%		
Net Receipts	904,292	5.0%		

Q2 2018



City of Moorpark Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Moorpark In Brief

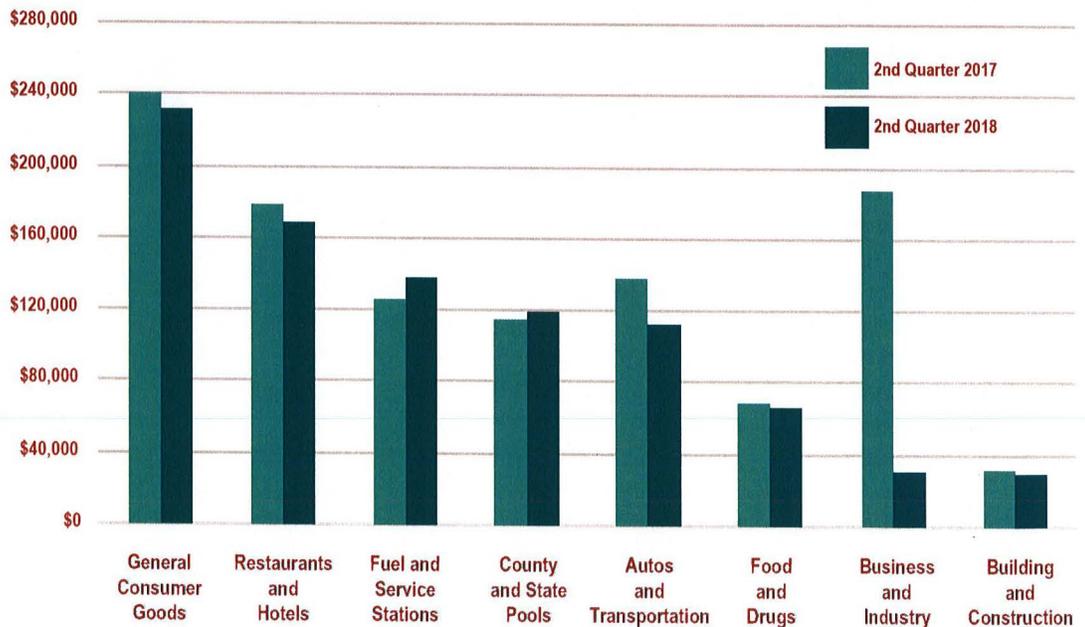
Moorpark's receipts from April through June were 17.1% below the second sales period in 2017. However, for the second consecutive quarter, challenges with the State's new software system have resulted in delayed funding for 2Q18 local tax payments. Other accounts received only partial funding for the current quarter. Including these allocations and other reporting aberrations, actual sales would have been down 12.6%.

Onetime accounting adjustments and a drop in sales negatively impacted results from the business and industry sector. The City experienced a decline in sales from the autos and transportation group. Missing payments accounted for the depressed returns from general consumer goods and restaurants-hotels.

The losses were partially offset by higher fuel prices at the pump that helped boost revenues from service stations and an increase in the City's allocation from the county use tax pool.

Net of aberrations, taxable sales for all of Ventura County declined 0.4% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Pentair Pool Products
Campus Plaza Shell	Petco
Command Performance Catering	Ralphs
Dick's Sporting Goods	Shell
In N Out Burger	Simi Valley Harley Davidson
Kahoots Pet Store	Smart & Final
Kohls	Target
McDonalds	TJ Maxx
Michaels Arts & Crafts	Tom Lindstrom RV
Moorpark 76	Tractor Supply
Moorpark Chevron	Vons
National Ready Mixed Concrete	Warehouse Discount Center
	Wood Ranch BBQ

REVENUE COMPARISON

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

	2016-17	2017-18
Point-of-Sale	\$3,643,660	\$3,744,046
County Pool	457,297	484,265
State Pool	1,903	2,063
Gross Receipts	\$4,102,860	\$4,230,374
Cty/Cnty Share	(135,394)	(139,602)
Net Receipts	\$3,967,466	\$4,090,772

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

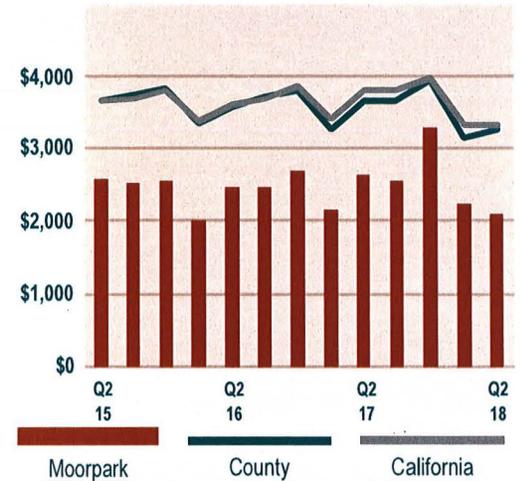
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

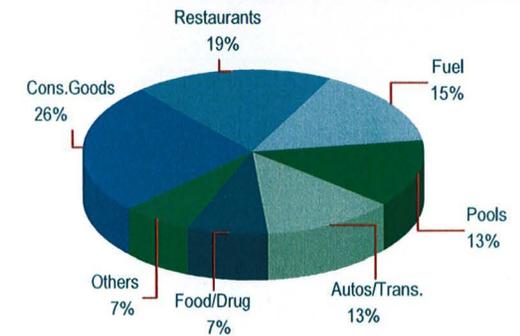
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Moorpark This Quarter



MOORPARK TOP 15 BUSINESS TYPES

Business Type	Moorpark		County	HdL State
	Q2 '18	Change	Change	Change
Boats/Motorcycles	— CONFIDENTIAL —		-13.3%	-12.3%
Casual Dining	59,751	-5.0%	-13.6%	-12.7%
Contractors	— CONFIDENTIAL —		-14.5%	-10.7%
Department Stores	— CONFIDENTIAL —		7.6%	12.7%
Discount Dept Stores	— CONFIDENTIAL —		-15.9%	-13.5%
Electronics/Appliance Stores	— CONFIDENTIAL —		1.0%	-5.1%
Family Apparel	— CONFIDENTIAL —		-29.0%	-27.2%
Fast-Casual Restaurants	19,338	3.3%	-0.6%	-3.4%
Grocery Stores	41,716	7.0%	2.8%	-7.0%
Leisure/Entertainment	— CONFIDENTIAL —		-3.1%	-3.6%
Light Industrial/Printers	28,195	-47.7%	-51.4%	-26.1%
Quick-Service Restaurants	64,291	3.8%	-4.9%	-6.0%
Service Stations	137,397	9.7%	-24.7%	-26.6%
Specialty Stores	28,831	30.4%	-3.4%	-4.6%
Trailers/RVs	— CONFIDENTIAL —		-8.8%	-6.8%
Total All Accounts	780,041	-19.6%	-10.6%	-12.2%
County & State Pool Allocation	118,820	3.9%	15.5%	5.5%
Gross Receipts	898,861	-17.1%	-7.8%	-10.1%
City/County Share	(29,662)	17.1%		
Net Receipts	869,199	-17.1%		

Q3 2018



City of Moorpark Sales Tax *Update*

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

Moorpark In Brief

Moorpark's receipts from July through September were 11.3% above the third sales period in 2017 as a result of the City receiving a significant amount of delayed allocations that were not processed in 2Q18 due to the State's software conversion project. Excluding these allocations and other aberrations, actual sales were up 2.3%.

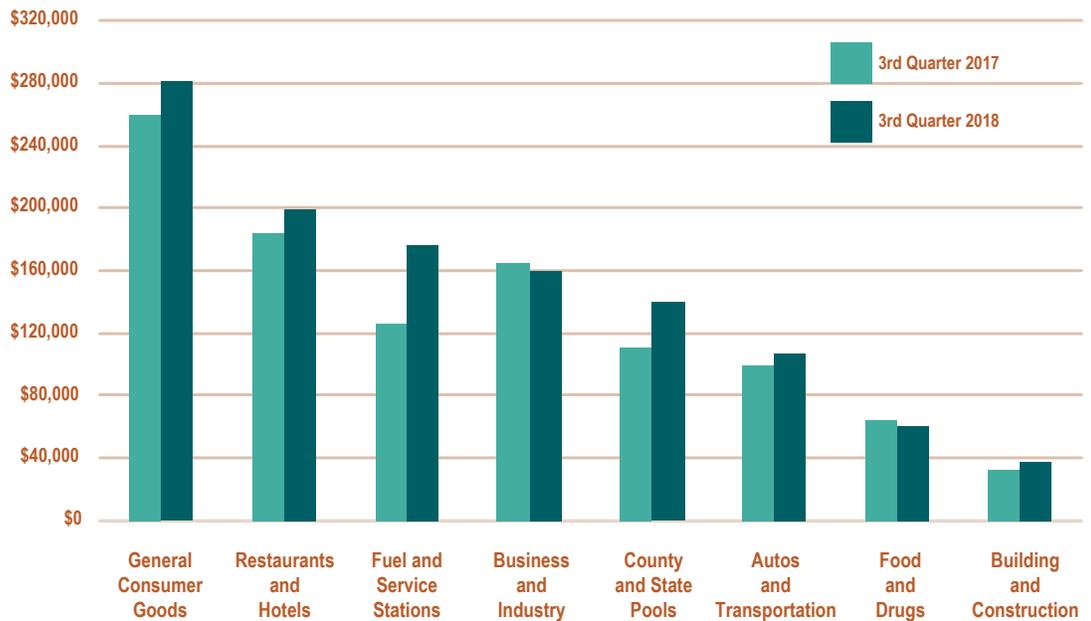
Service stations posted a 23.9% gain in sales due to higher retail gas prices far outpacing regional and statewide trends. This gain was solely responsible for the increase in actual sales as all other sectors saw minor gains and losses that netted each other out.

The automotive group was up 3.0%, while grocery store sales lifted food and drugs 2.3%. General consumer goods were down 1.9% on mixed results from the various retail categories. Lower plumbing/electrical and contractors' supplies sales depressed building. Business to business sales were 2.3% lower.

The City's cash allocation from the countywide use tax pool increased 26.2% due to a spike in receipts in the pool during the quarter.

Net of aberrations, taxable sales for all of Ventura County grew 2.4% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Pentair Pool Products
Campus Plaza Shell	QEP Company
Command Performance Catering	Ralphs
Cornerstone Photography	Shell
Dick's Sporting Goods	Simi Valley Harley Davidson
In N Out Burger	Target
Kohls	Testequity
Moorpark 76	TJ Maxx
Moorpark Chevron	Tom Lindstrom RV
Moorpark Country Club	Verizon Wireless
Moorpark Petroleum	Vons
National Ready Mixed Concrete	Warehouse Discount Center
	Wood Ranch

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$931,956	\$1,020,797
County Pool	110,552	139,477
State Pool	717	524
Gross Receipts	\$1,043,226	\$1,160,799
Cty/Cnty Share	(34,426)	(38,306)
Net Receipts	\$1,008,799	\$1,122,492

California Overall

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

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

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

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

South Dakota V. Wayfair Decision

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

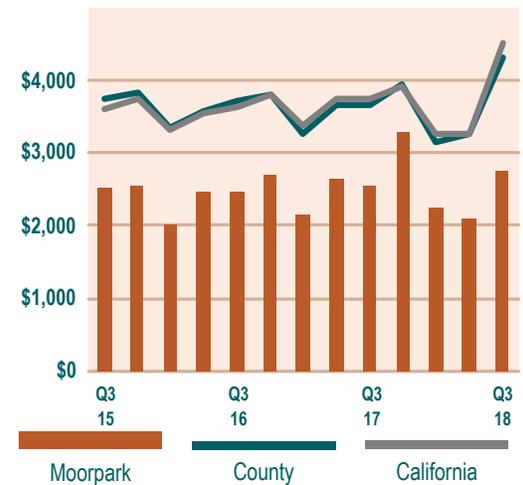
California will begin enforcing the Wayfair reversal effective April 1, 2019

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

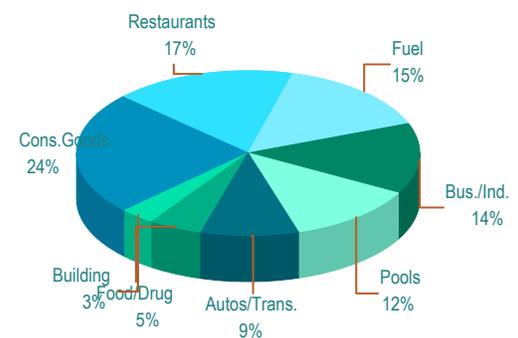
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

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

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Moorpark This Quarter



MOORPARK TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Moorpark		County	HdL State
	Q3 '18*	Change	Change	Change
Boats/Motorcycles	— CONFIDENTIAL —	—	19.1%	14.7%
Casual Dining	66.2	12.9%	11.1%	14.9%
Contractors	— CONFIDENTIAL —	—	37.4%	37.8%
Department Stores	— CONFIDENTIAL —	—	-11.2%	-3.6%
Discount Dept Stores	— CONFIDENTIAL —	—	18.1%	18.3%
Electrical Equipment	— CONFIDENTIAL —	—	34.6%	36.4%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	-1.0%	12.7%
Fast-Casual Restaurants	20.2	8.7%	11.4%	15.2%
Grocery Stores	33.5	-7.5%	13.0%	16.1%
Leisure/Entertainment	46.3	20.4%	4.1%	16.8%
Light Industrial/Printers	30.4	6.6%	32.6%	28.7%
Quick-Service Restaurants	66.4	-3.0%	7.9%	13.5%
Service Stations	175.8	39.3%	45.0%	43.1%
Sporting Goods/Bike Stores	19.7	17.3%	16.3%	21.1%
Trailers/RVs	— CONFIDENTIAL —	—	-1.1%	14.1%
Total All Accounts	1,020.8	9.5%	17.7%	21.8%
County & State Pool Allocation	140.0	25.8%	35.2%	27.8%
Gross Receipts	1,160.8	11.3%	19.6%	22.6%
City/County Share	(38.3)	-11.3%		
Net Receipts	1,122.5	11.3%		

Q4 2018



City of Moorpark Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Moorpark In Brief

Moorpark's receipts from October through December were 15.0% below the fourth sales period in 2017. Excluding reporting aberrations, actual sales were down 0.9%.

A double payment that spiked year ago returns in the business and industry group was the major factor in the overall drop in receipts.

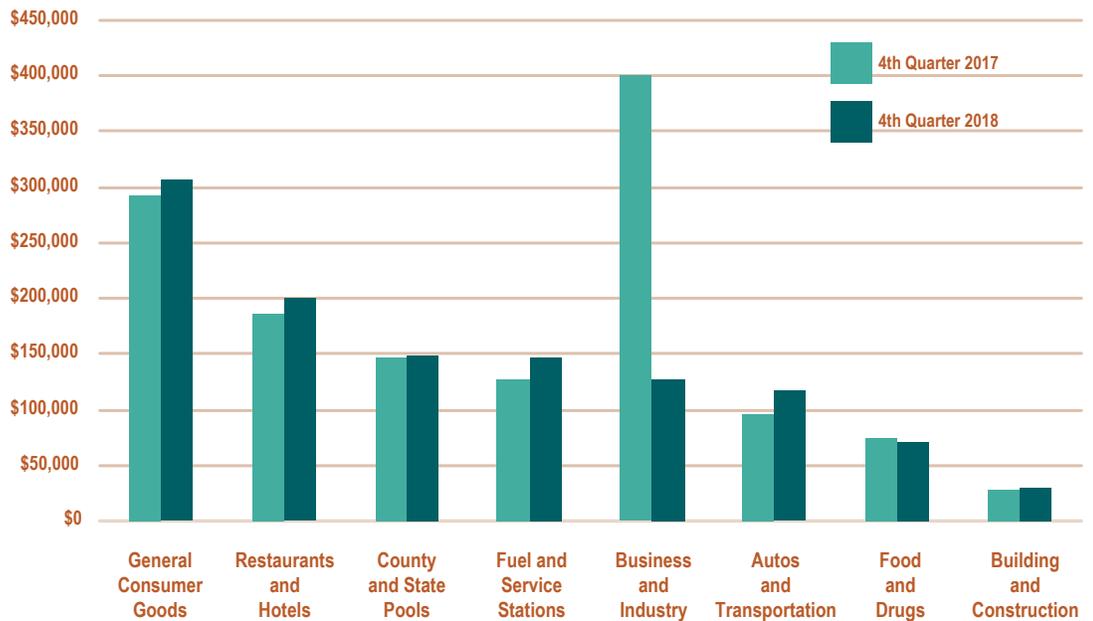
Restoration of outstanding payments resulting from the State's software conversion overstated holiday performance in general retail. Nonetheless, several sectors including specialty stores posted higher proceeds compared to a year ago.

Quick-service restaurants and casual dining were also inflated by these multi-quarter adjustments. Higher prices boosted service stations while auto-related results outperformed the region.

The gain from a recent grocery opening was offset by temporary payment deviations in food and drugs.

Net of aberrations, taxable sales for all of Ventura County grew 1.0% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	National Ready Mixed Concrete
Authentic Watches	Petco
Campus Plaza Shell	Ralphs
Command Performance Catering	Shell
Dick's Sporting Goods	Simi Valley Harley Davidson
In N Out Burger	Target
Kohls	Testequity
McDonalds	TJ Maxx
Michaels	Tom Lindstrom RV
Moorpark 76	Tractor Supply
Moorpark Chevron	Vons
Moorpark Petroleum	Warehouse Discount Center
	Wood Ranch

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$2,137,803	\$2,021,602
County Pool	257,498	288,190
State Pool	1,060	1,013
Gross Receipts	\$2,396,361	\$2,310,804
Cty/Cnty Share	(79,080)	(76,257)
Net Receipts	\$2,317,281	\$2,234,548

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

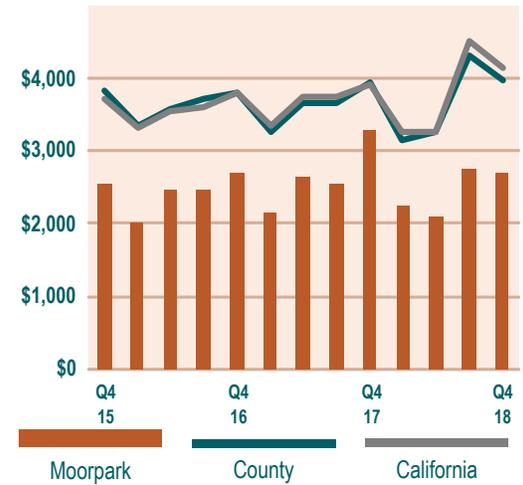
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

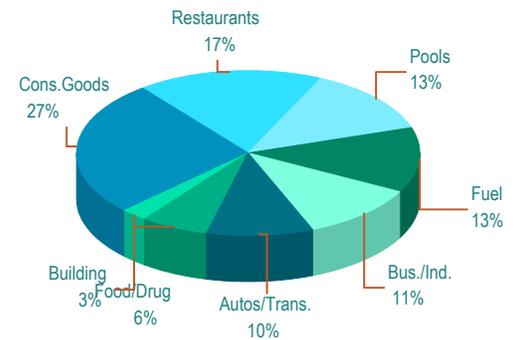
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Moorpark This Quarter



MOORPARK TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Moorpark		County	HdL State
	Q4 '18*	Change	Change	Change
Boats/Motorcycles	— CONFIDENTIAL —	—	-1.0%	-0.9%
Casual Dining	66.4	8.5%	0.8%	2.5%
Contractors	— CONFIDENTIAL —	—	24.6%	17.3%
Department Stores	— CONFIDENTIAL —	—	-1.3%	-3.4%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	3.9%
Electrical Equipment	— CONFIDENTIAL —	—	-56.3%	-1.2%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	-1.0%	-1.6%
Family Apparel	— CONFIDENTIAL —	—	-4.5%	0.5%
Grocery Stores	41.5	-11.8%	-12.1%	-11.7%
Leisure/Entertainment	38.2	-1.2%	0.4%	3.6%
Light Industrial/Printers	23.2	-31.3%	6.8%	9.1%
Quick-Service Restaurants	75.9	14.8%	10.7%	6.6%
Service Stations	147.4	16.0%	28.2%	28.5%
Specialty Stores	32.6	45.0%	-16.8%	-10.8%
Trailers/RVs	— CONFIDENTIAL —	—	-1.2%	3.3%
Total All Accounts	1,000.8	-17.0%	1.2%	7.0%
County & State Pool Allocation	149.2	1.3%	23.5%	8.6%
Gross Receipts	1,150.0	-15.0%	3.6%	7.2%
City/County Share	(38.0)	15.0%		
Net Receipts	1,112.1	-15.0%		