

Q1 2017



City of Moorpark Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Moorpark In Brief

Moorpark's receipts from January through March were 8.0% above the first sales period in 2016. Excluding reporting aberrations, actual sales were up 6.5%.

Strong sales growth by multiple categories including electrical equipment and light industrial suppliers, boosted business-industry which accounted for 67% of the overall gains. The return of higher gas prices, consistent with the statewide trend, also surged revenue from service stations.

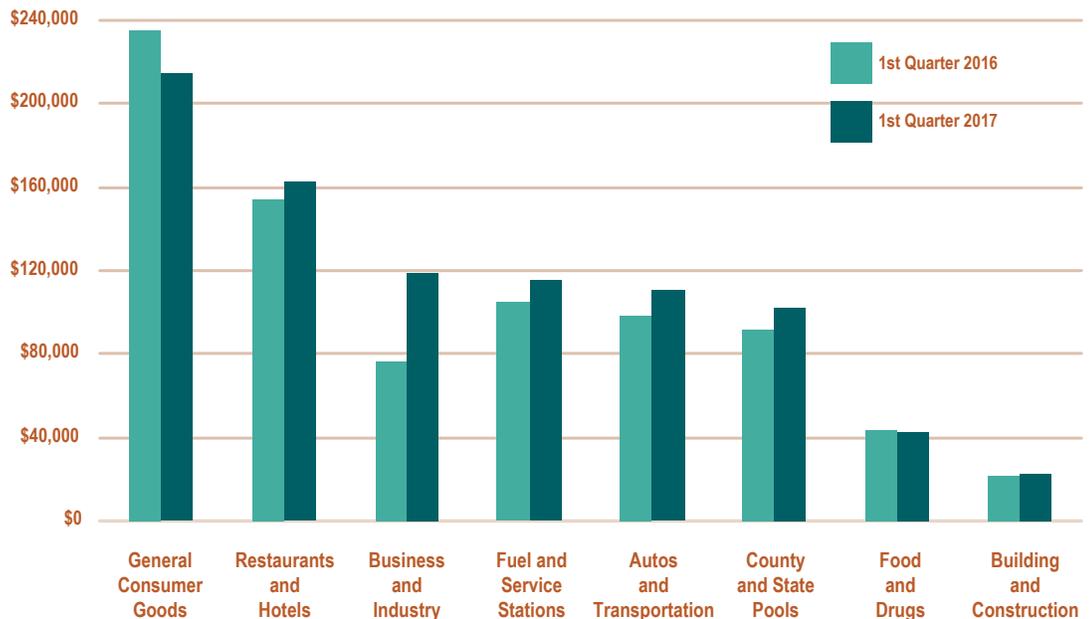
A onetime retroactive payment combined with greater variety and new dining concepts continue to inspire consumer interest in eating out, positively impacted results from restaurants, while solid winter activity lifted the autos group.

These increases in local point of sale revenue and a rise in capital and online purchases shipped into the region boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

Partially offsetting the gains were sluggish returns from general consumer retailers.

Net of aberrations, taxable sales for all of Ventura County declined 0.5% over the comparable time period; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	National Ready Mixed Concrete
Campus Plaza Shell	Pentair Pool Products
Command Performance Catering	Simi Valley Harley Davidson
Dick's Sporting Goods	Target
Fitzpatrick Dental Equipment	Tesoro Refining & Marketing
In N Out Burgers	Testequity
Kahoots Pet Store	TJ Maxx
Kohls	Tom Lindstrom RV
McDonalds	Tractor Supply Company
Michaels	Vons
Moorpark 76	Warehouse Discount Center
Moorpark Chevron	Wood Ranch BBQ
Moorpark Petroleum	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,502,251	\$3,575,815
County Pool	407,892	455,194
State Pool	2,536	2,712
Gross Receipts	\$3,912,679	\$4,033,721
Cty/Cnty Share	(129,118)	(133,113)
Net Receipts	\$3,783,561	\$3,900,608
Less Triple Flip*	\$(746,559)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

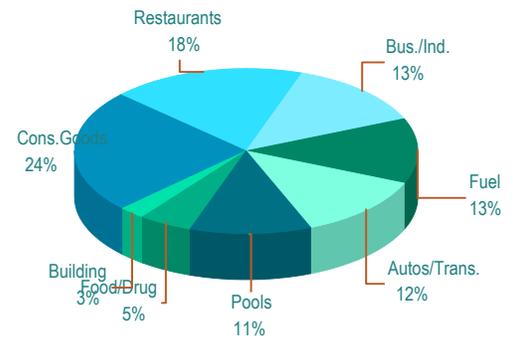
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Moorpark This Quarter



MOORPARK TOP 15 BUSINESS TYPES

Business Type	Moorpark		County	HdL State
	Q1 '17	Change	Change	Change
Boats/Motorcycles	— CONFIDENTIAL —	—	-20.0%	1.0%
Casual Dining	61,074	1.0%	-0.3%	0.4%
Department Stores	— CONFIDENTIAL —	—	-7.1%	-6.5%
Discount Dept Stores	— CONFIDENTIAL —	—	0.5%	1.6%
Electrical Equipment	36,819	162.8%	9.2%	-7.0%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	-5.5%	-0.3%
Family Apparel	— CONFIDENTIAL —	—	0.8%	0.8%
Fast-Casual Restaurants	22,642	43.2%	13.6%	9.0%
Grocery Stores	18,492	-5.7%	0.3%	0.5%
Leisure/Entertainment	— CONFIDENTIAL —	—	29.3%	12.7%
Light Industrial/Printers	35,405	42.7%	9.1%	7.6%
Quick-Service Restaurants	60,452	1.0%	5.3%	4.6%
Service Stations	115,595	10.6%	6.4%	9.9%
Specialty Stores	19,632	-1.5%	-4.4%	0.4%
Trailers/RVs	— CONFIDENTIAL —	—	3.8%	11.0%
Total All Accounts	788,483	7.5%	-2.1%	1.8%
County & State Pool Allocation	102,197	11.9%	1.9%	2.9%
Gross Receipts	890,680	8.0%	-1.6%	1.9%
City/County Share	(29,392)	-8.0%		
Net Receipts	861,287	8.0%		

Q2 2017



City of Moorpark Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Moorpark In Brief

Moorpark's receipts from April through June were 6.8% above the second sales period in 2016. Actual sales activity was up 7.7% when reporting aberrations were factored out.

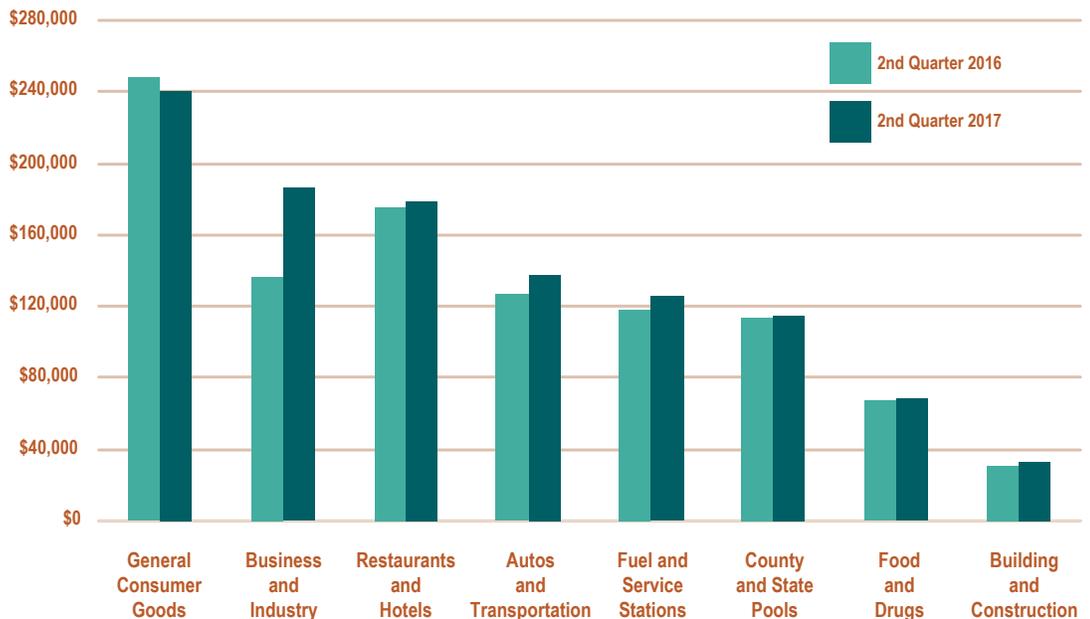
The City experienced a strong sales quarter for service stations and the business-industry and auto-transportation sectors.

A recent addition helped boost revenues from garden/agricultural supplies.

The gains were partially offset by a decline in sales from general consumer goods.

Net of aberrations, taxable sales for all of Ventura County grew 1.0% over the comparable time period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Pentair Pool Products
Campus Plaza Shell	Ralphs
Command Performance Catering	Simi Valley Harley Davidson
Dick's Sporting Goods	Target
In N Out Burgers	Tesoro Refining & Marketing
Kahoots Pet Store	Testequity
Kohls	TJ Maxx
McDonalds	Tom Lindstrom RV
Moorpark 76	Tractor Supply Company
Moorpark Chevron	Vons
Moorpark Petroleum	Warehouse Discount Center
National Ready Mixed Concrete	Wood Ranch BBQ
Penny Pantry	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$901,898	\$969,743
County Pool	112,767	114,870
State Pool	309	(499)
Gross Receipts	\$1,014,974	\$1,084,114
Cty/Cnty Share	(33,494)	(35,776)
Net Receipts	\$981,480	\$1,048,338
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

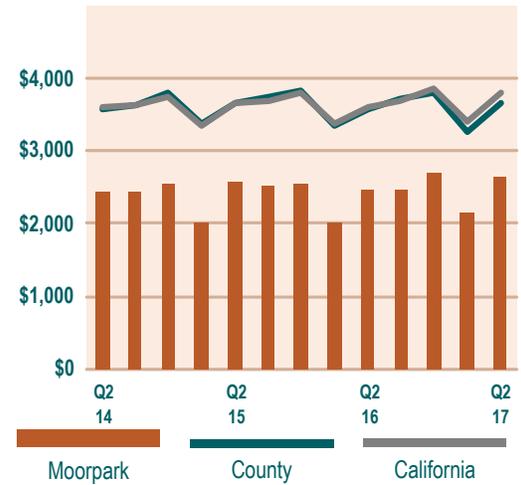
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

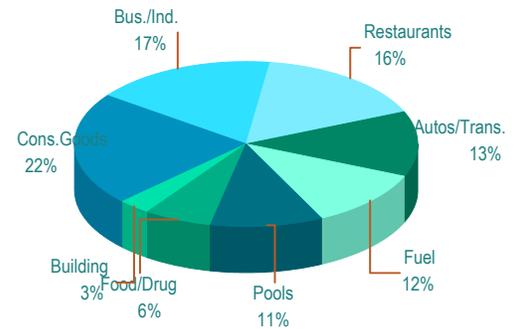
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Moorpark This Quarter



MOORPARK TOP 15 BUSINESS TYPES

Business Type	Moorpark		County	HdL State
	Q2 '17	Change	Change	Change
Boats/Motorcycles	— CONFIDENTIAL —	—	-6.7%	4.5%
Casual Dining	64,478	1.7%	2.2%	1.9%
Contractors	— CONFIDENTIAL —	—	11.0%	9.7%
Department Stores	— CONFIDENTIAL —	—	-5.2%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	3.1%	3.2%
Electrical Equipment	— CONFIDENTIAL —	—	-1.1%	3.3%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	2.3%	0.3%
Family Apparel	— CONFIDENTIAL —	—	-1.2%	4.0%
Grocery Stores	39,513	-1.0%	5.3%	2.1%
Leisure/Entertainment	— CONFIDENTIAL —	—	0.1%	6.5%
Light Industrial/Printers	51,605	21.7%	22.8%	6.1%
Quick-Service Restaurants	60,150	2.2%	7.3%	5.9%
Service Stations	125,202	6.4%	5.2%	8.6%
Specialty Stores	22,109	1.0%	0.7%	1.4%
Trailers/RVs	— CONFIDENTIAL —	—	-2.7%	8.9%
Total All Accounts	969,743	7.5%	3.0%	6.4%
County & State Pool Allocation	114,371	1.1%	-3.1%	-9.9%
Gross Receipts	1,084,114	6.8%	2.3%	4.1%
City/County Share	(35,776)	-6.8%		
Net Receipts	1,048,338	6.8%		

Q3 2017



City of Moorpark Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Moorpark In Brief

Moorpark's receipts from July through September were 2.4% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 3.6%.

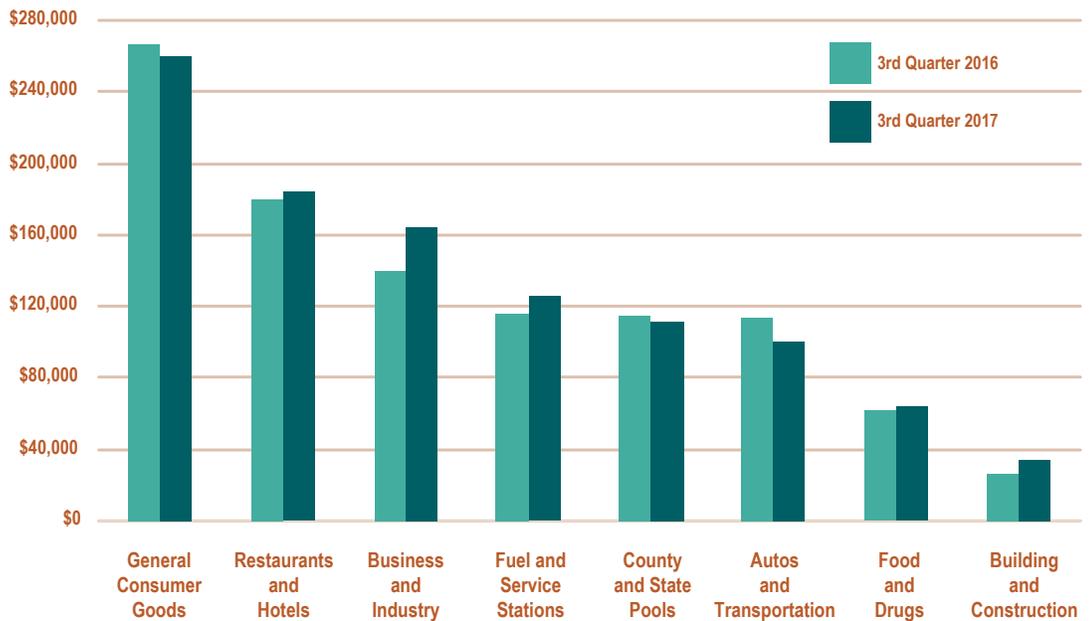
A new business combined with strong performance in other sectors lifted business and industry. Higher prices bumped up receipts in service stations.

Several closures dampened positive results in restaurants and hotels. Conversely, building and construction posted the best growth in several years.

Sales activity receded in auto-related segments while a onetime deduction temporarily reduced the countywide use tax allocation pool.

Net of aberrations, taxable sales for all of Ventura County grew 1.0% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Pentair Pool Products
Campus Plaza Shell	Ralphs
Command Performance Catering	Simi Valley Harley Davidson
Cornerstone Photography	Smart & Final Target
Dick's Sporting Goods	Tesoro Refining & Marketing
Flying by Foy	Testequity
In N Out Burgers	TJ Maxx
Kohls	Tom Lindstrom RV
McDonalds	Vons
Moorpark 76	Warehouse Discount Center
Moorpark Chevron	Wood Ranch BBQ Grill
Moorpark Petroleum	
National Ready Mixed Concrete	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,805,236	\$1,901,699
County Pool	227,602	225,422
State Pool	618	218
Gross Receipts	\$2,033,456	\$2,127,339
Cty/Cnty Share	(67,104)	(70,202)
Net Receipts	\$1,966,352	\$2,057,137

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

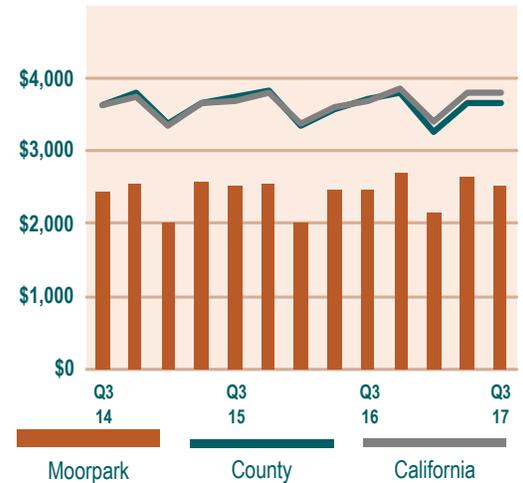
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

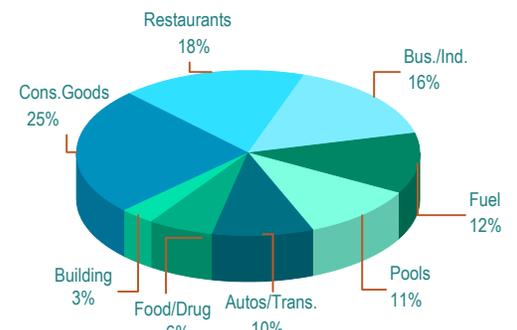
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Moorpark This Quarter



MOORPARK TOP 15 BUSINESS TYPES

Business Type	Moorpark		County	HdL State
	Q3 '17	Change	Change	Change
Boats/Motorcycles	— CONFIDENTIAL —	—	-4.0%	2.7%
Casual Dining	58,651	-8.1%	1.9%	2.3%
Contractors	— CONFIDENTIAL —	—	7.7%	6.5%
Department Stores	— CONFIDENTIAL —	—	-2.0%	-7.5%
Discount Dept Stores	— CONFIDENTIAL —	—	5.2%	6.1%
Electrical Equipment	— CONFIDENTIAL —	—	25.5%	-6.9%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	2.8%	0.3%
Fast-Casual Restaurants	18,594	11.0%	16.7%	8.6%
Grocery Stores	36,763	-1.2%	4.5%	0.6%
Leisure/Entertainment	— CONFIDENTIAL —	—	4.5%	1.7%
Light Industrial/Printers	26,739	-10.7%	-26.6%	-4.0%
Quick-Service Restaurants	68,284	9.4%	9.5%	4.8%
Service Stations	126,193	9.0%	3.9%	9.2%
Specialty Stores	22,009	0.4%	-0.6%	2.2%
Trailers/RVs	— CONFIDENTIAL —	—	-3.9%	5.5%
Total All Accounts	931,956	3.2%	-0.7%	4.1%
County & State Pool Allocation	111,269	-3.4%	-6.9%	4.8%
Gross Receipts	1,043,226	2.4%	-1.4%	4.2%
City/County Share	(34,426)	-2.4%		
Net Receipts	1,008,799	2.4%		

Q4 2017



City of Moorpark Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2017)

Moorpark In Brief

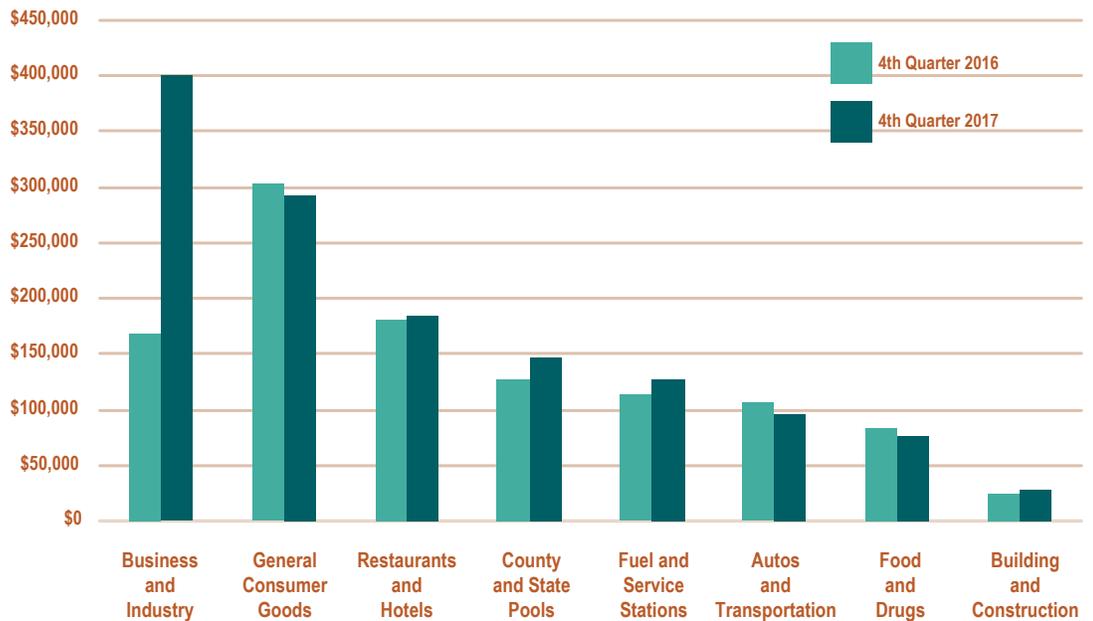
Moorpark's allocation of sales and use tax revenues from its October through December sales was 21.9% higher than the holiday quarter of 2016. Actual sales activity was up 2.1% after factoring for accounting anomalies.

The retroactive recovery of one-time allocation errors within the business-industrial group was responsible for the temporary spike in the current allocation. The actual gains came primarily due from higher fuel prices and a solid quarter for restaurants.

The gains were partially offset by declines in receipts from general consumer goods and from sales within the auto-transportation group.

Net of aberrations, sales and use tax receipts for all of Ventura County grew 2.7% over the comparable time period while the Southern California region as a whole, was up 3.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Authentic Watches	Ralphs
Campus Plaza Shell	Simi Valley Harley Davidson
Command Performance Catering	Target
Cornerstone Photography	Tesoro Refining & Marketing
Dick's Sporting Goods	Testequity
In N Out Burgers	TJ Maxx
Kohls	Tom Lindstrom RV
McDonalds	Tractor Supply
Michaels Arts & Crafts	Vons
Moorpark 76	Warehouse Discount Center
Moorpark Chevron	Western Refining Retail
Moorpark Petroleum	Wood Ranch BBQ Grill
National Ready Mixed Concrete	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,787,332	\$3,107,546
County Pool	354,097	372,368
State Pool	1,611	561
Gross Receipts	\$3,143,041	\$3,480,474
Cty/Cnty Share	(103,720)	(114,856)
Net Receipts	\$3,039,320	\$3,365,618

California Overall

Factored for accounting anomalies, statewide fourth quarter receipts from local government's one cent sales tax were 4.5% higher than the holiday quarter of 2016.

Rising fuel prices and solid gains from building/construction supplies, restaurants and e-commerce were the primary contributors to the overall increase. A healthy quarter for auto sales and construction equipment were additional factors. Tax revenues from general consumer goods sold through brick and mortar stores rose a modest 1% over last year's comparable quarter while receipts from online sales increased 13.2%.

Performance for the inland areas of the state were generally stronger than the coastal areas which had earlier recovered from the previous downturn.

Nexus Issue to be Revisited

In 1992, the U.S. Supreme Court ruled in *Quill v. North Dakota* that businesses lacking a physical presence or "nexus" in a state cannot be required to collect or remit that state's taxes. This does not excuse buyers from paying a corresponding use tax but the costs of enforcement, particularly on smaller purchases, is difficult and local brick and mortar retailers are placed at a competitive disadvantage.

California has been more effective at collecting use tax than most states with an aggressive program of auditing major business purchases, requiring CPA's to report unpaid use tax on client's annual returns and requiring businesses with annual gross receipts of \$100,000 or more to register for the purposes of reporting use tax.

The State has also increased the number of out-of-state sellers required to collect sales tax through broader definitions of what constitutes physical presence including a requirement that larger internet retailers collect and remit sales tax if paying a commission for customer referrals obtained via a link on a California seller's website.

Still, the estimated revenue losses are substantial particularly for agencies with voter-approved transactions tax districts. Because of *Quill*, retailers are

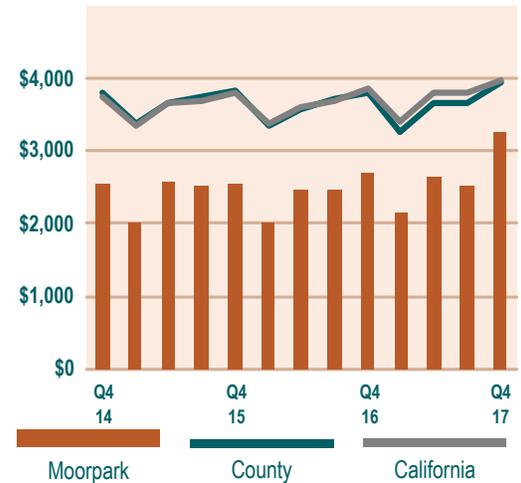
not required to collect the tax for purchases in an adjacent jurisdiction if the retailer has no physical presence in that jurisdiction. The resulting loss to local governments projected by the State Board of Equalization in 2016-17 was \$756 Million in uncollected tax revenues and losses to the state of \$697 Million: (<https://www.boe.ca.gov/legdiv/pdf/e-commerce-2017F.pdf>).

Congress has refused to act on numerous attempts to seek legislative relief over the last two decades. However, three justices – Clarence Thomas, Neil Gorsuch and Anthony Kennedy have recently expressed doubts about the *Quill* decision with Kennedy noting in 2015, that the ruling has produced a "startling revenue shortfall" in many states as well as "unfairness to local retailers and customers."

In January 2018, the U.S. Supreme Court agreed to hear arguments in the case of *South Dakota v. Wayfair Inc.* where *Wayfair* is challenging the State's recently adopted requirement that retailers collect and remit, or pay, sales tax on purchases made by South Dakota residents.

Oral arguments are scheduled for April with a decision expected by the end of June 2018.

SALES PER CAPITA



**COUNTY OVERALL
4Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	4.9%	2.3%
Building and Construction	15.2%	13.1%
Business and Industry	7.9%	-5.1%
Food and Drugs	-0.4%	2.9%
Fuel and Service Stations	9.9%	9.0%
General Consumer Goods	-1.2%	-1.3%
Restaurants and Hotels	3.1%	5.1%
County and State Pools	-2.0%	8.4%
Total	3.4%	2.7%

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Moorpark This Quarter**

