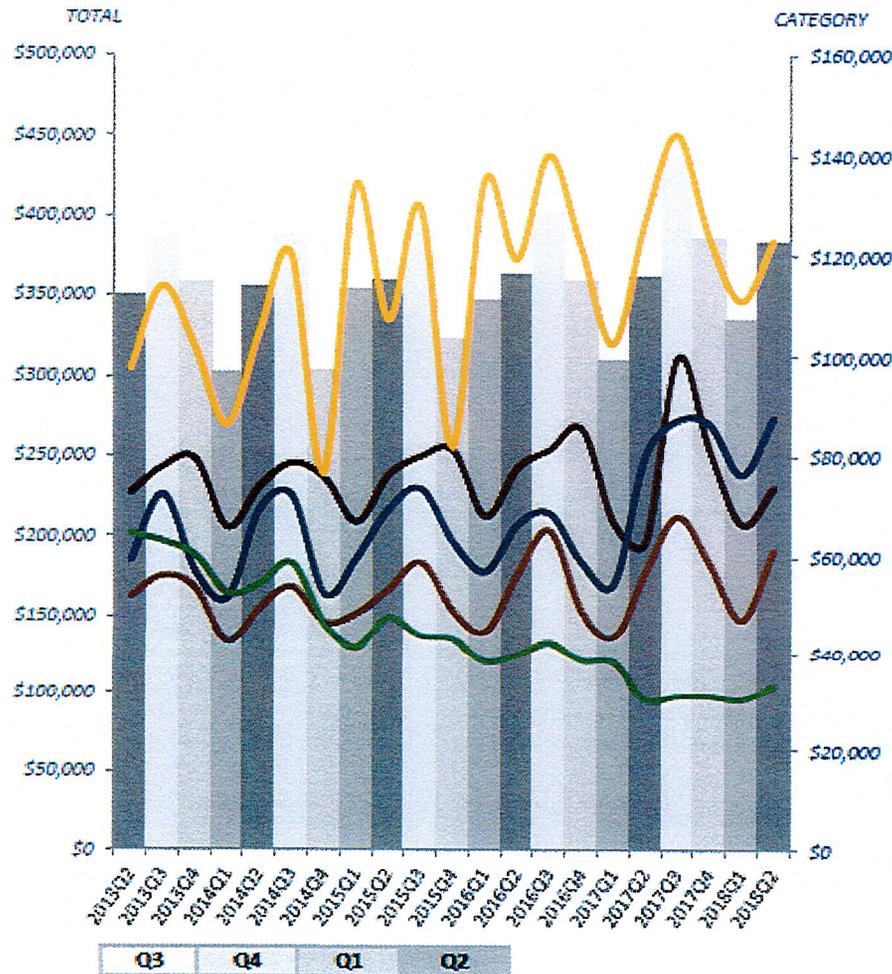


# FORT BRAGG: Sales Tax Performance Analysis by Quarter

**TOTAL**

Confidential

Economic



TOTAL				
2018Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$383,377	6.0%	\$21,782	7.6%	\$108,698

GENERAL RETAIL				
2018Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$73,884	17.2%	\$10,819	8.2%	\$24,482
% of 2018Q2 Total:		19.3%		

FOOD PRODUCTS				
2018Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$123,102	-2.8%	-\$3,611	2.2%	\$10,914
% of Total:		32.1%		

TRANSPORTATION				
2018Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$87,764	9.3%	\$7,465	28.7%	\$75,364
% of Total:		22.9%		

CONSTRUCTION				
2018Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$61,447	7.6%	\$4,348	9.5%	\$20,439
% of Total:		16.0%		

BUSINESS TO BUSINESS				
2018Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$33,271	8.9%	\$2,725	-15.6%	-\$23,277
% of Total:		8.7%		

QoQ = 18Q2 / 17Q2

YoY = YE 18Q2 / YE 17Q2

## City of Fort Bragg Sales & Use Tax Forecast by Category

Accrual through Balance: September

	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25
<b>Bradley Burns</b>								
General Retail	307,551	316,876	318,962	322,383	325,805	329,227	332,648	336,070
% Change	-1.7%	3.0%	0.7%	1.1%	1.1%	1.1%	1.0%	1.0%
Food Products	498,965	531,852	547,087	560,443	573,798	587,154	600,509	613,865
% Change	2.2%	6.6%	2.9%	2.4%	2.4%	2.3%	2.3%	2.2%
Transportation	355,625	378,028	390,807	402,407	414,007	425,607	437,207	448,807
% Change	48.0%	6.3%	3.4%	3.0%	2.9%	2.8%	2.7%	2.7%
Construction	235,149	253,784	266,823	278,591	290,359	302,127	313,895	325,664
% Change	10.9%	7.9%	5.1%	4.4%	4.2%	4.1%	3.9%	3.7%
Business To Business	120,118	130,685	130,103	130,572	131,042	131,511	131,980	132,450
% Change	23.4%	8.8%	-0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Miscellaneous	18,239	19,155	19,155	19,155	19,155	19,155	19,155	19,155
% Change	4.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Gross</b>	<b>1,535,647</b>	<b>1,630,381</b>	<b>1,672,936</b>	<b>1,713,551</b>	<b>1,754,166</b>	<b>1,794,780</b>	<b>1,835,395</b>	<b>1,876,010</b>
% Change	12.2%	6.2%	2.6%	2.4%	2.4%	2.3%	2.3%	2.2%
County Pool	216,043	223,604	230,626	237,107	243,588	250,069	256,551	263,032
% Change	19.0%	3.5%	3.1%	2.8%	2.7%	2.7%	2.6%	2.5%
State Pool	848	833	833	833	833	833	833	833
Administration	(20,264)	(21,778)	(22,360)	(22,913)	(23,466)	(24,019)	(24,572)	(25,125)
Conservative		\$1,805,500	\$1,851,900	\$1,895,800	\$1,939,600	\$1,983,300	\$2,026,800	\$2,070,300
Most-Likely	\$1,732,274	\$1,833,040	\$1,882,035	\$1,928,578	\$1,975,121	\$2,021,664	\$2,068,207	\$2,114,750
% Change	13.1%	5.8%	2.7%	2.5%	2.4%	2.4%	2.3%	2.3%
Optimistic		\$1,860,500	\$1,912,100	\$1,961,400	\$2,010,700	\$2,060,100	\$2,109,600	\$2,159,200
Recession Scenario			\$1,882,035	\$1,928,578	\$1,821,678	\$1,776,240	\$1,817,133	\$1,858,026
% Change from Prior Fiscal Year					-5.5%	-2.5%	2.3%	2.3%
Fiscal Year to Fiscal Year Change					(\$106,900)	(\$45,438)	\$40,893	\$40,893
Difference between Recession and Most-Likely Scenarios					(\$153,443)	(\$245,424)	(\$251,074)	(\$256,724)

- g. Submit to designated City staff a compliance review report that includes:
- Avenu review findings;
  - For each error/omission identified and confirmed, accompanying documentation that Avenu believes is necessary to facilitate recovery of revenue due from lodging providers for prior periods;
  - Draft notices of deficiency determination, commendation and warning letters as applicable; and recommendations;
- h. Coordinate with designated City official(s) as necessary to review compliance review report;
- i. Provide assistance to the City in reviewing any matters submitted in extenuation and mitigation by lodging providers in contesting a deficiency determination; and
- j. Prepare and document any changes to the compliance review findings and provide revised tax, interest or penalty amounts due the City.

*Please note: Phase 1 plus Phase 2 constitutes the full compliance program. Phase 1 must be performed before phase 2.*

### **City Assistance**

**Data.** City shall provide copies of returns submitted by all domiciled lodging providers for the most recent forty-eight (48) months or the period covered by the applicable statute of limitation, whichever is shorter, to Avenu prior to the start of Phase I. If the City has the full return data digitized, submitting such in electronic format would be preferable.

### **Reports/Deliverables**

#### **Compliance Program**

The Compliance Program – Audit - Phase 1. Avenu will provide the City a detailed Audit report identifying lodging providers who might require additional investigation or review to determine their compliance with the City's TOT ordinance.

The Compliance Program - Compliance Review - Phase 2. Avenu will provide City staff with a detailed list of all records required to be made available by lodging providers for the reviews, together with a draft engagement announcement letter to be sent to each lodging provider. This Phase will include:

- Avenu review findings;
- For each error/omission identified and confirmed, accompanying documentation that Avenu believes is necessary to facilitate recovery of revenue due from lodging providers for prior periods;
- Draft notices of deficiency determination, commendation and warning letters as applicable; and recommendations;

#### **Final Report to the City**

At the conclusion of the Compliance Audit, the City can expect to receive:

- *Compliance Review Report.* After conducting all the phases Avenu will submit a written compliance review report to the designated City staff member(s) that include our findings; the documentation necessary to facilitate recovery of revenue due for prior periods for each error/omission identified and confirmed; and draft notices of deficiency determination, commendation and warning letters as applicable, and recommendations. A report will be provided for each lodging provider reviewed.
- Provide assistance to the City in reviewing any matters submitted in extenuation and mitigation by lodging providers in contesting a deficiency determination; and
- Prepare and document any changes to the compliance review findings and provide revised tax, interest or penalty amounts due the City.

# Project Work Plan, Approach & Innovation

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## TOT Audit Project Approach

Our approach to TOT Audit and Compliance has proven to be effective in successfully completing lodging tax audits on behalf of our other municipal clients. Shown below is a detailed work plan of our process.

### The Compliance Program

Typically, within 90 days of Avenu's receipt of the lodging provider return information from the City for the most recent forty-eight (48) months, or the period covered by the applicable statute of limitation, whichever is shorter, Avenu will provide its Compliance Program as a single service consisting of the following two-phase process.

#### Analysis - Phase 1. During this phase, Avenu will:

- a. Conduct a thorough review of all the City's Ordinances and Resolutions requiring the collection and remittance of lodging taxes and fees due to the City.
- b. Establish a comprehensive inventory of all lodging properties subject to taxation by the City and the database elements (public and private databases) needed to facilitate further analysis to identify and locate lodging providers not properly registered with the City and not appearing on the City rolls as TOT remitters;
- c. Analyze lodging provider return information from the most recent 48 months or the period covered by the applicable statute of limitation, whichever is shorter, in order to identify unusual or suspicious reporting and/or activities that warrant further review;
- d. Conduct unobtrusive collection of information on each property, including number of rooms, occupancy rate, property's condition, business dynamics internal controls;
- e. Provide a detailed analysis report to the City identifying lodging providers who might require additional investigation or review to determine their compliance with the City's TOT ordinance;
- f. Coordinate with designated City official(s) as necessary to review the analysis report;
- g. Develop with the designated City staff a list of lodging providers to be subject to a compliance review of lodging and tax records; and
- h. During the term of this Agreement, provide up to ten (10) hours of additional consulting time to assist the City in evaluating or implementing any of the proposed actions suggested by the above report.

#### Audit and Compliance Review - Phase 2.

Based on our previous experiences, on average only about 30% of the properties will be recommended for Phase 2.

During this phase, Avenu will conduct a compliance review consisting of some or all of the following procedures:

- a. Provide City staff with a detailed list of all records required from lodging providers for the reviews, together with a draft engagement announcement letter to be sent to each lodging provider;
- b. Examine records pertaining to TOT for each lodging provider selected for a compliance review.
- c. Verify accuracy of filed TOT returns with daily and monthly activity summaries;
- d. Review a random sample of the daily and monthly summaries to determine if the daily summaries reconcile to the monthly summaries;
- e. If Avenu believes such a review is necessary, review secondary and tertiary documentation such as bank statements to verify that deposits reconcile with the reported revenue on the TOT returns or other tax filings;
- f. Review exempted revenue for proper supporting documentation;

registration and/or other source documents to verify compliance with the City ordinance, and submit substantiating documentation to the City in order to facilitate collection of revenue due from lodging providers for each identified and confirmed error/omission.

Where possible, we will compare the State and federal tax filings with the lodging tax returns. We will also meet with the City, as necessary, to review findings and recommendations; provide assistance in reviewing any matters submitted in extenuation and mitigation by lodging providers in contesting a deficiency determination; and prepare and document any changes to the review findings and provide revised tax, interest or penalty amounts due the City.

We have three primary objectives: (1) ensure compliance in the most cost-effective way, (2) the audit must not only recover tax revenue, but also must improve the relationships between the City and the hotels, and (3) the audit must not unduly burden the fully compliant lodging properties. We commit to not only providing the audit services as indicated below as expeditiously as possible, but also commit to helping the City strengthen lodging relationships and increase future compliance.

## **Benefits of Partnering with Avenu**

- **Increased General Fund Revenue.** Our lodging tax service increases compliance thereby increasing revenue to the City. In many cases, the revenue increases more than covers the cost of the service. Compliance and increased revenues continue to benefit the City for many years forward. The amount of audit findings and resulting revenue recovery for a given jurisdiction will depend largely on the number of audits performed, as well as other factors. Typically, when a client performs an audit of one-third of their properties annually, we have seen an increase in compliance and tax remittances of approximately 13%.
- **Experience and Expertise.** We have more experience with the lodging taxes in California and nationally than any other firm. The expertise of our TOT Compliance Program team has never been successfully challenged in court; and attempts have been made in state and federal courts. This expertise has been relied upon in the drafting of state statutes and local ordinances, and the collection of tens of millions of dollars in deficiencies.
- **Hospitality Industry and Political Sensitivity.** Our broad knowledge and experience with the companies and ethnicities involved in lodging provision combined with our cooperative and educational approach help minimize adverse reactions to the audit and collection of any deficiencies determined. Our local government clients are more likely to hear praise from the hospitality industry than criticism.
- **Innovative Performance.** To facilitate local occupancy audits, in most circumstances we permit lodging providers to elect the conduct of audits interactively via the Internet or by mail. In many instances, certain requisite records-keeping is done off-site. An interactive audit permits all sites to participate simultaneously. Our national orientation permits audits to be conducted at the corporate offices nationwide and not just properties owned or managed in the state.
- **Government Relations/Legislative and Policy Updates/Advocacy.** Avenu's product and service offerings are complemented by a dedicated Government Relations team that provides local government advocacy, policy, regulatory and legislative consulting support and expertise. Avenu has a proven track record of successfully resolving numerous issues that have resulted in the preservation and expansion of the tax base for its clients. Avenu's policy team which includes an in-house lobbyist located in the League of California Cities building.

## Qualifications and Experience

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### Transient Occupancy Tax Qualifications/Experience

Since 1990, the Transient Occupancy Tax Compliance and Consulting Services ("TOT") that Avenu has provided to its client cities nationwide have helped our clients to realize additional lodging tax revenues. We have reviewed more than 9,000 lodging providers and identified more than \$25 million in unreported, underreported and otherwise delinquent tax revenue for clients in the past five years. We have tailored our lodging tax services in order to: 1) provide a cost-effective and innovative approach to achieve our client's goals of TOT compliance; 2) focus resources on compliance and provide an equal playing field for all lodging providers; and 3) conduct the TOT services in a highly professional manner and to be as unobtrusive as possible to lodging providers.

Our services have evolved from reviews and audits of lodging providers to include a cooperative, educational and informative exchange offering suggestions of experience that are designed to help lodging providers stay in compliance with City ordinances. The intent of our enhanced services is to increase compliance with the City's Lodging Tax ordinance.

Our process involves:

- Identifying lodging providers suitable for an on-site audit
- Comparing the accuracy of filed lodging tax returns with activity summaries
- Reviewing bank statements to reconcile deposits with reported revenue
- Assess exempted revenue for proper qualifying documentation
- Provide the city with the correct tax accounting of "other guest charges" (resort fees, cleaning fees, etc.) which in the past may not have been taxed
- Generate annual reports of revenue trends
- Review ordinance and administrative policies to help bring them up to date and enhance revenues
- Educate lodging providers to ensure ongoing compliance

To accomplish this we need:

- The most recent registration of properties returns for the time period of the statute of limitations
- Details about circumstances concerning current existing payees
- Information on new lodging properties
- Cooperation in the transition by reviewing proposed processing and materials, offering comments and suggestions and providing timely approvals

Avenu's Transient Occupancy Tax (TOT) Audit and Compliance Program is designed to assist the City in realizing the TOT revenue to which it is entitled, and to educate third party collectors and remitters of TOT policies to ensure maximum future compliance with the City's related codes and ordinances. Our TOT findings and recommendations have been validated and accepted by third parties, including the federal and state courts, state revenue agencies, county assessors, and hotel/motel associations.

As authorized by the City, Avenu will conduct an on-site examination of the records of the lodging properties. In the course of the audit we will verify accuracy of filed lodging tax returns with daily and monthly activity summaries, review a random sample of the daily and monthly summaries to determine if the daily summaries reconcile to the monthly summaries, review bank statements to verify that deposits reconcile with the reported revenue on the lodging tax returns, review exempted revenue for proper qualifying documentation, review a random sample of exempted guest revenue and trace

# Hotel Occupancy Tax

Working collaboratively with cities like yours, MuniServices' offers Hotel Occupancy Tax (HOT) services that go beyond the standard audit and remittance process. Offering Full Administration, Discovery, and Auditing services, we can maximize your cities hotel occupancy tax revenue with little cost nor involvement from your jurisdiction.

## Administration

MuniServices' Hotel Occupancy Tax Administration is intended to assist your city in maximizing the generation of lodging tax revenue through offering administrative enhancements. Our Administration service offers a turnkey approach to ensure appropriate collection, deposit, recording, delinquency follow up and reporting of your local lodging tax. On your city's behalf, we will manage the correspondence, documents, and accompanying services to ensure an appropriate and timely remittance process and will include monthly reports that track payments, trends, and data to help your city make informed decisions regarding HOT expenditures.

Working with your city in mind, our Administration services have one purpose, to ease the burden of tax collection. Our **Online File and Pay** system creates a seamless collection process for your jurisdiction and taxpayers. The secure platform insures your taxpayer's information is safe and allows you to build a solid database, plus receive notifications of delinquencies and deficiencies. Priced to align with any city budget, our administration services offer the complete package reducing the burden on your city's staff, while eliminating cost associated with purchasing or maintaining Tax Administration software.



## Audit

Through our Hotel Occupancy Tax Program Audit service, we are dedicated to helping your city enhance lodging tax revenues it is entitled to. Through an on-site examination of each lodging property, we ensure the highest degree of accuracy, providing verification of the appropriate collection and remittance of lodging taxes submitted. For each error and/or omission identified and confirmed, we will facilitate the collection of revenue due from your lodging providers for current and prior periods.

## Discovery

Our Discovery and Recovery services are designed to provide a full service solution to your city's lodging tax enforcement procedures. While not replacing current functions, we provide a focused and fulltime solution to identifying entities subject to taxation within your city, which are not properly registered, or otherwise not reporting lodging taxes. Beyond traditional lodging providers, we can uncover missed opportunities for revenue enhancement from bed and breakfasts, condos, and personal homes for rent operating within your city limits.

For more information on our HOT service, please contact [Succeed@MuniServices.com](mailto:Succeed@MuniServices.com).