

**PART 1: ISSUE UPDATE****State Ballot Update / Proposed Tax Fairness, Transparency and Accountability Act**

**The Proposed TFTAA is Withdrawn:** The initiative would have raised the approval threshold from 50% to two-thirds on all local tax-related measures and was withdrawn from the November 2018 ballot process minutes after Governor Brown signed AB 1838. AB 1838, until January 1, 2031, prohibits any local tax, fee, or other assessment on groceries and is retroactive to January 1, 2018. The Governor's signing message cites the far reaching proposed TFTAA and that Mayors from across the state supported the compromise represented in AB 1838.

**Can Locals Pull Ballot Measures and how Did this Happen and?** First, it is politics. SB 1253 (Steinberg/2014) is the mechanism that allowed proponents to withdraw an initiative even after it has qualified for the ballot. A bill analysis shows support by the California Business Roundtable. Pending SB 1153 authorizes the proponent of a local initiative to withdraw the initiative at any time before the 88th day before the election.

**What's Ahead:** Shortly after the compromise solidified AB 1838, the California Medical Association and California Dental Association filed a proposed initiative for the 2020 ballot with the Attorney General's office for a statewide soda tax. The proposal includes a provision allowing for local taxes and well as pre-emption to AB 1838. Assembly Member Bloom also plans to re-introduce a "health impact fee" on sugary beverages when the Legislature returns in August.

**Selected Measures on the November 2018 Ballot**

- **Property Owners Transferring Their Property Tax Base to a Replacement Property** (Proposition 5)
- **Gas Tax Repeal** (Proposition 6)
- **Daylight Savings Time** (Proposition 7)
- **Division of CA Into Three States** (Proposition 9)
- **Enact Rent Control on Residential Property** (Proposition 10)

**South Dakota vs. Wayfair, Inc. / Sales and Use Tax Standards**

The ruling upheld South Dakota's remote seller statute, in effect allowing states to force e-commerce companies that lack an in-state physical presence to collect and remit their sales and use taxes – thereby boosting local sales tax revenues. This overrules the long-standing physical presence requirement established by *Bellas Hess* in 1967 and reaffirmed by the Court in *Quill* in 1992. As a result, the Court is changing a fundamental aspect of the sales tax nexus requirement.

**What This Means:** States now can require out-of-state retailers to collect their state's sales taxes, at least in some circumstances, even if they do not have a store, warehouse, or physical presence in that state.

**Implementation:** The California Department of Tax & Fee Administration's (CDTFA) "guide" is no longer live. While the CDTFA initially projected to begin collecting August 1, 2018, with new revenue included in the November clean-up, we are now uncertain about the actual timing.

**Will California Need Special Legislation?** There are still implementation details to be worked out at the state level, so exact timing of when increased sales tax revenue may materialize is unknown. *Wayfair* addressed South Dakota legislation that imposes sales and use tax requirements on businesses that deliver more than \$100,000 of goods or services into the state or engage in at least 200 transactions for delivery of goods or services into the state. It is unclear whether California statutes will need to comply with this requirement.

**Collecting Transactions and Use Taxes May be a Potential Issue:** MuniServices has learned that the Legislature is questioning whether locals could collect on the TUT. We earlier reported that for entities who receive TUT, we anticipate the CDTFA to register the affected companies just like they would any other out-of-state business and instruct them to collect the tax rate of the ship to location thus collecting the add-on tax rates.



- **Banks for the Cannabis Industry:** Licensure and supervision of cannabis limited charter banks and credit unions **(SB 930/ Hertzberg)**
- **Financial Institutions: Cannabis:** Urges the federal government to pass legislation to permit banks to provide services to cannabis businesses **(AJR 28/ Jones-Saywer)**

## Telecommunications/ Utilities

- **Municipal Separate Storm Systems:** Requires guidelines for permittees that are adequate and consistent when considering the costs to local jurisdictions **(AB 2538/ Rubio)**
- **Local Control: Discontinuation of Residential Water Service:** Prohibits an urban and community water system (200 or more connections) from discontinuing residential service for nonpayment until a payment has been delinquent for at least 60 days; will change processes for locals **(SB 998/ Dodd)**
- **UUT Impact: FCC Rules/ Net Neutrality:** Would codify portions of the rescinded FCC rules protecting “net neutrality.” It is unclear whether this will affect UUT receipts from OTT streaming video **(SB 822/ Wiener and SB 460 / De Leon)**
- **UUT Impact: Reduce Rates:** Would direct the CPUC to reduce the rates it approves for investor-owned utilities for gas, electricity, and water service in order to pass on to customers the tax savings received under federal tax reform; will indirectly result in lower UUT revenues for cities **(SB 1028/ Hill)**
- **Digital Goods:** The *Wayfair* decision does not address digital goods, but industries arguments may be weakened by the *Wayfair* decision because the argument was based on the *Quill* decision, which *Wayfair* overturned and effectively removes the nexus argument against applying local UUTs to digital downloads or streaming media.

## Economic Development

- **State Strategic Economic Development Plan:** The Governor’s Office of Business and Economic Development would lead the development of the Plan **(AB 2596/ Cooley)**
- **Use of Subsidies by Locals for Warehouse Centers:** Requires locals to provide specified information to the public before approving a subsidy for a warehouse distribution center (See SCA 20/ Glazer) **(AB 2853/ Medina)**

- **Enhanced Infrastructure Financing Districts:** Authorizes IFD’s to fund maintenance of public capital facilities on a pay-as-you-go basis **(SB 1145/ Leyva)**

## Local Administration

- **Taxicab Regulation:** Could allow for taxicab company to determine itself as “substantially located” in a city or county where it only maintains a business address **(AB 939/ Low)**
- **Parking Ticket Revenue:** Must provide payment plan options and waiver of late fees for indigent persons prior to sending certain documents to the DMV; expected revenue loss **(AB 2544/ Lackey)**
- **Pilot for Longer Alcohol Sales:** Authorizes hours (2 am to 4 am) in Long Beach, Los Angeles, Oakland, Palm Springs, Sacramento, San Francisco, and West Hollywood **(SB 905/ Wiener)**
- **Sidewalk Vendors:** A local is not required to adopt a new program if they have an existing program that complies with the bill **(SB 946/ Lara)**
- **Microenterprise Home Kitchen Operations:** Locals would have discretion to authorize and permit **(AB 626/ Garcia)**
- **Lodging and Common Carriers:** Would have prohibited the disclosing of any part of any guest record. The protects locals’ ability to perform TOT compliance audits **(SB 1194 / Lara)**
- **Ordinance Violation Increase:** First violation would be \$130, \$700 for a 2nd, and \$1,300 for each additional **(AB 2598/ Quirk)**
- **Nuisance Abatement Fines:** Locals can recover fines until 2024 through liens and special assessments; to be used for enforcement building and fire code standards **(SB 1416/ McGuire)**

## Housing Measures

- **Land Use: Accessory Dwelling Units (AUD):** Makes several changes to the statutes governing local permitting of AUD’s. Opposed by the League of Cities and CSAC **(AB 2890 / Ting)**
- **Housing Element:** Requires a city or county’s inventory of land suitable for residential development to meet 125% of its regional housing need allocation for all income levels **(SB 828 / Wiener)**
- **Recasts Current Law: AUD:** Opponents state that the regulation of development standards is a function of cities’ land use authority and that this bill imposes on this function **(SB 831/ Weiner)**

## Fort Bragg Top 25 Sales Tax Generators

Arco AM/PM Mini Markets	Harvest Market	Redwood Coast Fuels
Boatyard Tobacco	Kemppe Liquid Gas	Rite Aid Drug Stores
Chevron Service Stations	McDonald's Restaurants	Rossi's Building Materials
Coast to Coast Hardware	Mendo Mill & Lumber Company	Safeway Stores
CVS/Pharmacy	Mendocino County Hydrogarden	Speedex Service Station
Denny's Restaurant	New Trend Wireless	Sport Chrysler Jeep Dodge
Dollar Trees Stores	North Coast Brewing Company	Taco Bell
Eel River Fuels	O'Reilly Auto Parts	Union 76 Service Stations
Geo Aggregates		

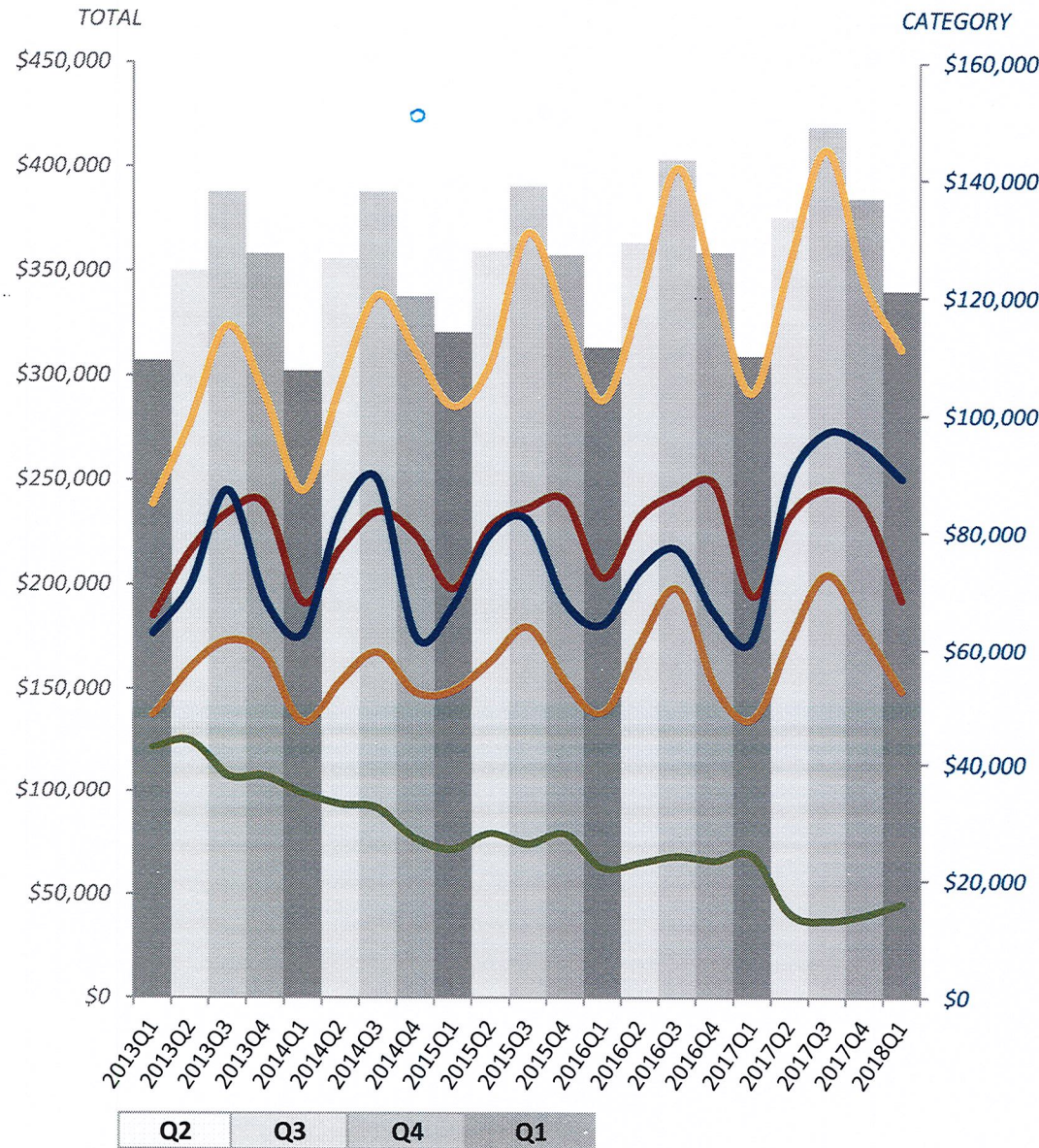


# FORT BRAGG: Sales Tax Performance Analysis by Quarter

**TOTAL**

Confidential

Economic



## TOTAL

2018Q1	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$340,475	10.0%	\$31,085	5.9%	\$84,971

## GENERAL RETAIL

2018Q1	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$68,624	-1.0%	-\$721	-1.2%	-\$3,947
% of 2018Q1 Total:		20.2%		

## FOOD PRODUCTS

2018Q1	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$111,184	7.1%	\$7,409	3.5%	\$17,093
% of Total:		32.7%		

## TRANSPORTATION

2018Q1	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$89,294	44.6%	\$27,561	33.0%	\$92,053
% of Total:		26.2%		

## CONSTRUCTION

2018Q1	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$53,031	11.2%	\$5,327	7.5%	\$17,594
% of Total:		15.6%		

## BUSINESS TO BUSINESS

2018Q1	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$16,087	-34.1%	-\$8,334	-39.7%	-\$37,868
% of Total:		4.7%		

QoQ = 18Q1 / 17Q1

YoY = YE 18Q1 / YE 17Q1



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

Accrual through Balance: September

Bradley Burns	FY 16 - 17	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24
<b>General Retail</b>	331,397	326,612	326,893	336,602	340,281	343,960	347,638	351,317
% Change	1.7%	-1.4%	0.1%	3.0%	1.1%	1.1%	1.1%	1.1%
<b>Food Products</b>	488,635	528,722	541,508	566,675	580,200	593,724	607,248	620,772
% Change	3.7%	8.2%	2.4%	4.6%	2.4%	2.3%	2.3%	2.2%
<b>Transportation</b>	273,428	396,609	425,876	442,982	454,224	465,465	476,706	487,947
% Change	-6.7%	45.1%	7.4%	4.0%	2.5%	2.5%	2.4%	2.4%
<b>Construction</b>	230,366	253,407	265,976	278,447	289,873	301,299	312,725	324,151
% Change	8.7%	10.0%	5.0%	4.7%	4.1%	3.9%	3.8%	3.7%
<b>Business To Business</b>	32,237	53,848	54,044	56,346	57,072	57,798	58,524	59,251
% Change	-66.5%	67.0%	0.4%	4.3%	1.3%	1.3%	1.3%	1.2%
<b>Miscellaneous</b>	12,343	11,228	9,920	10,426	10,814	11,201	11,589	11,977
% Change	-3.9%	-9.0%	-11.6%	5.1%	3.7%	3.6%	3.5%	3.3%
<b>Gross</b>	<b>1,368,405</b>	<b>1,570,425</b>	<b>1,624,218</b>	<b>1,691,479</b>	<b>1,732,463</b>	<b>1,773,447</b>	<b>1,814,431</b>	<b>1,855,415</b>
% Change	<b>-3.0%</b>	<b>14.8%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.3%</b>	<b>2.3%</b>
County Pool	181,551	213,181	223,602	236,129	244,681	253,233	261,785	270,337
% Change	1.0%	17.4%	4.9%	5.6%	3.6%	3.5%	3.4%	3.3%
State Pool	648	936	833	833	833	833	833	833
Administration	(18,596)	(20,779)	(22,259)	(23,220)	(23,816)	(24,413)	(25,009)	(25,606)
Conservative		\$1,737,300	\$1,797,200	\$1,872,800	\$1,919,000	\$1,965,000	\$2,011,000	\$2,056,900
<b>Most-Likely</b>	<b>\$1,532,008</b>	<b>\$1,763,764</b>	<b>\$1,826,394</b>	<b>\$1,905,221</b>	<b>\$1,954,160</b>	<b>\$2,003,100</b>	<b>\$2,052,039</b>	<b>\$2,100,979</b>
% Change	<b>-2.6%</b>	<b>15.1%</b>	<b>3.6%</b>	<b>4.3%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>2.4%</b>	<b>2.4%</b>
Optimistic		\$1,790,200	\$1,855,600	\$1,937,600	\$1,989,300	\$2,041,200	\$2,093,100	\$2,145,100
Recession Scenario			\$1,826,394	\$1,905,221	\$1,799,616	\$1,754,728	\$1,797,599	\$1,840,470
% Change from Prior Fiscal Year					-5.5%	-2.5%	2.4%	2.4%
Fiscal Year to Fiscal Year Change					(\$105,605)	(\$44,888)	\$42,871	\$42,871
Difference between Recession and Most-Likely Scenarios					(\$154,544)	(\$248,372)	(\$254,440)	(\$260,509)