



THE CITY OF
NOVATO
CALIFORNIA

MEETING NOTICE AND AGENDA ECONOMIC DEVELOPMENT ADVISORY COMMISSION

Thursday, June 30, 2016

3:00PM – 5:00PM

922 Machin Avenue, Novato 94945
Baget Conference Room, 2nd Floor

A. **Call to Order** – Chairman Harry Thomas

B. Approval of Final Agenda

C. Approval of Meeting Minutes for May 26, 2016

D. Public Comment

(Anyone wishing to speak on non-agenda items will be recognized at this time. These items can legally have no action as they are not on the agenda. There is a three minute time limit.)

E. General Business

(Anyone wishing to speak on agenda items will be recognized after the Committee has concluded their initial discussions. There is a three minute time limit for public comment per item.)

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|-------|---------|--|
| E – 1 | REPORT: | BIO 2016 – Chris Stewart, Claire Knoles, Kiosk and Gary Tobin |
| E – 2 | ACTION: | 2016-17 Economic Development Priorities – Chris Stewart |
| E – 2 | REPORT: | Marketing & Business Retention/Recruitment update: Chris Stewart |

F. Commission / Staff Comments

G. Public Comment: (Anyone wishing to speak on agenda items will be recognized after the Committee has concluded their initial discussions. There is a three minute time limit for public comment per item.)

H. Adjournment

AFFIDAVIT OF POSTING

I, Chris Stewart caused to have posted on June 24, 2016 the above meeting Notice and Agenda on the City of Novato Community Service Boards in City Hall and the Police Department and posted on the City website.



THE CITY OF
NOVATO
CALIFORNIA

MINUTES
ECONOMIC DEVELOPMENT COMMISSION MEETING
Thursday, May 26, 2016 3:00PM to 5:00PM
Womack East & West Conference Rooms, 2nd Fl.
922 Machin Avenue, Novato, CA 94945

A. CALL TO ORDER

Chairman Williams called the Economic Development Commission meeting to order at 3:00 PM.

In attendance were:

Commissioners Present

Present: John Williams (Chair), Coy Smith, Tim Howard, Peter Pelham and Harry Thomas

Commissioners Absent

Nanda Schorske, David Winton

Staff Present

Chris Stewart

Public

Councilwoman Pam Drew and Sylvia Barry

B. APPROVAL OF FINAL AGENDA

Motion by Commissioner Smith, seconded by Commissioner Pelham to approve the Final Agenda.

Approved 4-0

C. APPROVAL OF MINUTES FOR

March 31, 2016 Meeting Minutes – Motion by Commissioner Pelham, seconded by Commissioner Smith to approve minutes as written.

Approved 4-0

D. PUBLIC COMMENT

No public comment.

E. GENERAL BUSINESS

E - 1 REPORT: Update on BIO 2016 – Chris Stewart invited Councilwoman Drew to share any concerns she may have with the City's Economic Development Plan or the NBLSA initiative and she respectively decline to comment at the meeting. Mr. Stewart, Ms. Knoles and Mr. Eyer proceeded to give their reports.

E - 2 INTRO: Mr. Stewart introduced Jim Cordeiro the new CEO of the Marin Economic Forum and he gave a brief overview of his priorities for the next 120 days.

E - 3 ACTION: Mr. Stewart introduced Miriam Karell, Director of the Marin Small Business

Development Center and she reported that over the last three years they had helped 120 Novato businesses expand their operations in Novato. Mr. Stewart reported that he and Ms. Capriola had met with Miriam and agreed to contribute \$10,000 in fiscal years 2016 & 2017. *Motion by Commissioner Smith and Seconded by Commissioner Pelham to approve the \$10,000 annual contribution for fiscal years 2016 & 2017. Approved 4-0*

E – 4 REPORT: Mr. Stewart reported that the City was still working with Beltane Brewery to locate new facilities.

E – 5 ELECTION: *Commissioner Smith moved that Mr. Thomas be elected the new Chairman of the Economic Development Advisory Commission and Seconded by Commissioner Pelham. Approved 4 - 0*

F. COMMISSION / STAFF COMMENTS – *No Comments*

G. PUBLIC COMMENT – *No Comments*

H. ADJOURNMENT

Chairman Williams thanked everyone for their participation and input.

Motion to adjourn was made by Commissioner Pelham and Seconded by Commissioner Smith to adjourn at 5:00 P.M. Approved 4-0

Economic Vitality

Encourage a thriving business environment, becoming a hub of economic activity and innovation, with a focus on high-paying industries, a vibrant downtown, and a healthy economy.

Outcome: *A climate where business flourishes and grows, that attracts visitors, where residents can do business, work, and shop, and the City has the resources it needs to provide the services our community desires.*

Draft Strategic Objectives:

1. Strengthen and expand the biotech and life sciences industries in Novato.

<p>a. Secure active participation and funding from other cities, counties and private sector companies for the North Bay Life Science Alliance.</p>	<p>City Administration</p>	<p>FY15/16 FY16/17 FY17/18</p>
<p>b. Explore numerous public/private funding sources to help the Buck Institute complete construction of two additional laboratories and housing for visiting personnel.</p>	<p>City Administration</p>	<p>FY15/16 FY16/17 FY17/18</p>

<p>c. Expand the North Bay life science workforce by collaborating with educational organizations such as the College of Marin and the four county Workforce Investment Boards.</p>	<p>City Administration</p>	<p>FY15/16 FY16/17 FY17/18</p>
<p>d. Work with local property owners to re-purpose or build new facilities that would be attractive to growing life science companies including evaluating opportunities for a small business incubator.</p>	<p>City Administration</p>	<p>FY15/16 FY16/17 FY17/18</p>

2. Aggressively conduct business recruitment and retention and work to reduce Novato’s loss of retail revenue to surrounding communities.

<p>a. Continue the “Shop Local Novato” campaign to help strengthen existing retailers’ sales and bring new products</p>	<p>City Administration</p>	<p>FY15/16 FY16/17 FY17/18</p>
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<p>and services to Novato.</p>		
<p>b. Conclude feasibility studies and work with the Golden Gate Transit District, North Marin Water District, Novato residents, Planning Commission, Design Review Committee, City Council and other appropriate constituencies to determine if building a home improvement store is logistically and economically feasible.</p>	<p>City Administration</p>	<p>FY15/16 FY16/17 FY17/18</p>
<p>c. Work with the Chamber of Commerce, the Downtown Novato Business District and individual businesses to help recruit or retain jobs and companies and visit at least twenty-five businesses annually to get feedback on City</p>	<p>City Administration</p>	<p>FY15/16 FY16/17 FY17/18</p>

programs and services, and to find out how City can help them succeed.		
d. Work with commercial and retail property owners/managers to keep these areas vibrant, active and occupied with growing businesses including but not limited to Bel Marin Keys, Hamilton, Commons, Pacheco Plaza, Ignacio Center, Vintage Oaks, Square Shopping Center, etc.	City Administration	FY15/16 FY16/17 FY17/18
e. Continue Councilmember participation in MCCMC effort to study the minimum wage issue.	City Administration	FY15/16 FY16/17 FY17/18

3. Remove blight, restore historic structures, generate revenue, and utilize City owned properties in Hamilton.

a. Facilitate and expedite the development application for the	City Administration	FY15/16 FY16/17 FY17/18
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<p>historic Hamilton Hospital into an assisted living and memory care facility.</p>		
<p>b. Complete application to the federal government to remove and exchange Lands to Parks restrictions on key properties and work to have application expeditiously processed.</p>	<p>City Administration</p>	<p>FY15/16 FY16/17 FY17/18</p>
<p>c. Once restrictions are removed, evaluate and engage a process to more fully utilize City owned properties while respecting the historical nature of these assets.</p>	<p>City Administration</p>	<p>FY15/16 FY16/17 FY17/18</p>

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SECTION 1: SELECTED LEGISLATION AND LEGISLATIVE DEADLINES

At the time of print, the Legislature is in full committee swing. April 22 marks the deadline for policy committees to hear and report bills to fiscal committee's introduced in their respective house; May 6 is the last date for policy committees to hear and report to the Floor non-fiscal bills introduced in their house; May 13 is the last day for policy committees to meet prior to June 6; and May 27 is the last day for fiscal committees to hear and report to the Floor bills introduced in their house. June 3 is the last day for each house to pass bills introduced in the respective house. The deadline does not apply to bills introduced in special sessions, and does not preclude lawmakers from using the gut-and-amend maneuver to insert entirely new proposals into existing bills.

Sales Tax on Services

- **Sales tax on services:** Intent for legislation to expand retail sales tax to services. The bill states intent to "provide tax relief to middle- and low-income Californians, secure greater stability for California's infrastructure and workforce, and enhance California's business climate"; it is unclear whether SB 1445 will include a local component (**SB 1445/ Hertzberg**)
- See "As Nation Moves to a Services Economy, State's Look to Tax it More" by The Pew Charitable Trusts <http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2016/02/26/as-nation-moves-to-a-service-economy-states-look-to-tax-it-more>

Shared Economy Short Term Rentals

- **TOT: hosting platforms:** Creates a method that would allow online platforms ("collecting platforms") to elect to participate and collect TOT revenues and the return the revenue to locals. The State Controller would be responsible for developing guidelines to implement the bill. There are provisions to note including that local governments must notify the State Controller if they wish to be a "collecting jurisdiction"; "collecting platforms" would be subject to an annual audit or review that is conducted by the Controller; local governments' would need to make a request of the Controller to allow locals or designated officer to review the Controller's audit findings (**SB 1102/ McGuire**)
- **BOE: contracting authority: local tax collection:** According to the author's office AB 2006 is a 'back up' spot bill to possibly carry language related to local TOT revenue collection from short-term rentals (**AB 2006/ (Mullin)**)

Sales and Use Tax Exemptions

- **Exemption for diapers until 2022:** Applies to diapers designated 3 years old or under; BOE estimates state and local revenue loss of \$36.3 million (**AB 717/Garcia**)
- **Exemption for feminine products:** BOE estimates state and local revenue loss of \$20 million (**AB 1561/Garcia**)
- **Exemptions for disaster preparedness products:** Applies to qualified purchases for a two-day period in 2017 and excludes revenues that are deposited; state and local revenue impact is pending (**AB 1562/ Kim**)
- **Exemption for pawn broker sales:** Applies to an original pledger that re-acquires the property originally pawned as security for a loan; state and local revenue impact is pending (**AB 2365/ Gipson**)



- **Exemption for nonprofit construction materials:** Authorizes a partial exemption for building and construction materials purchased by a non-profit organization; state revenue impact is pending (**AB 2518 /Gomez**)
- **Exemption for gun safes:** Authorizes for one calendar year a partial exemption for specified types of gun safes with a purchase price of \$1,000 or less; state revenue impact is pending (**AB 2540/ Melendez**)
- **Exemption for hydrogen refueling station equipment:** Authorizes an exemption for hydrogen refueling station equipment purchased by a recipient of a grant under the Alternative and Renewable Fuel and Vehicle Technology program; state and local revenue impact is pending (**AB 2673/Harper**)
- **Exemption for certain passenger vehicles:** Exempts from taxes any new car bought in the State by a non-resident that is permanently moved and used outside the State within 30 days; the bill sunsets January 2020; revenue impact is dependent on future taxpayer behavior (**SB 680/Wieckowski**)
- **Exemption for zero-emission equipment used by ports:** Authorizes, from January 1, 2017, to January 1, 2030, a partial exemption for zero-emission equipment purchased by port operators to transport or handle freight and cargo within a California public seaport; state revenue impact is pending (**SB 1338/Lara**)
- **Exemptions for back-to-school tax holiday:** Provides a partial exemption for clothing, footwear, books, computers and other school supplies during a two-day period in August; state revenue impact is pending (**SB 1210/ Gaines**)

Additional Sales and Use Tax Measures

- **Taxation of sales at state-designated fairs:** Requires tax returns filed for sales and use tax purposes to segregate the gross receipts of the seller and the sales price of the property when the place of sale or use is on or within the property of a state-designated fair; requires that 30 percent of revenue from those sales and use tax amounts be deposited into the Fair and Exposition Fund and appropriated for fair-related purposes (**AB 2678/ Gray**)
- **Authorizes a customer to file a claim for refund of excess sales and use tax paid by the customer:** Includes an amount of \$1,000 or greater, allowing the BOE to make a direct refund to the customer (**SB 640/ Beall**)
- **Vehicle registration and transfer of title or interest: use tax:** Intends to have the DMV transmit specific data to the BOE with respect to off-highway vehicles and for the BOE to allocate the use taxes to the specific jurisdiction where the vehicle is registered (**AB 2321 /Rodriguez**)

Transactions and Use Taxes

- **Transactions and use taxes: County of Alameda, County of Contra Costa, and Contra Costa Transportation Authority:** Extends the taxing authority for a transactions and use tax (of 0.5%) from December 2020 to December 2024 for Contra Costa County and the Contra Costa Transportation Authority; the County of Alameda would be included under this bill (**AB 1665/ Bonilla**)
- **Transactions and use taxes: San Bernardino County Transportation Authority:** Authorizes the creation of the San Bernardino County Transportation Authority as the successor agency to the San Bernardino Transportation Committee and provides powers that include the imposition of sales taxes (**SB 892 /Leyva**)
- **Moving local transportation finance measures up the ballot:** Authorizes county boards of supervisors to direct county elections officials to reorder the November 8, 2016 ballots to display local finance measures related to transportation above state ballot measures (**AB 2152 /Gray**)

Local Ballots

- **Impartial analysis for local ballots:** Requires local governments to provide an impartial analysis for local ballots (75 words or less) in the format of "What does a yes vote mean?" and "What does a no vote mean?" (**AB 2265 /Stone**)

Economic Development / Post Redevelopment

- **Community revitalization:** Improves AB 2 (from 2015) that created a new form of redevelopment (**AB 2492 /Alejo**)

Special District Funding

- **New Inland Empire taxing district:** Authorizes the Desert Healthcare District to expand into the Coachella Valley and to identify funding options for the district; authorizing is subject to the approval of the Riverside County Board of Supervisors (**AB 2414/ (Garcia)**)

*Amnesty*

- **Amnesty for tax penalties and fees:** Requires the FTB and the BOE to administer a tax penalty and fee amnesty for a three-month period, for tax periods beginning before January 1, 2015, if certain conditions are met **(AB 2692/ Brough)**

Cannabis

- **Taxing medical marijuana:** Imposes a tax on the distribution of medical marijuana by licensed cultivators; requires distributors to collect the tax from cultivators and remit to the BOE. The tax would be imposed at a rate of \$9.25 per ounce of marijuana flowers, \$2.75 per ounce of leaves, and \$1.25 per immature plant for sale **(AB 2243/ Wood)**
- **Taxation of medical marijuana:** Imposes an excise tax of 15 percent on the consumption or use of medical marijuana purchased from any retailer in California; the League expressed concerns with the exorbitant proposed rate and would threaten to operate as a de facto pre-emption of local taxes that cities will likely want to levy on top of a state tax of any kind **(SB 987/ McGuire)**
- **Tax amnesty:** Sets up a tax penalty amnesty program between April 1 to September 30, 2016 for medical cannabis dispensaries to begin to comply with the tax laws **(SB 567/Gipson)**
- **Cash payments:** Allows the BOE to accept cash payments for cannabis businesses **(AB 821/ Gipson)**
- **Changes the term 'marijuana' to cannabis' and other advisory group provisions:** In addition to the proposed term change in the Medical Marijuana Regulation and Safety Act (MMRSA), requires the BOE to create a group to examine strategies including point-of-sale systems to improve financial monitoring of cannabis businesses and would create an enhanced financial monitoring certification for entities licensed under the Act **(AB 1575/ Bonta)**
- **Training for licensee agents and employees:** Requires a state licensee to institute and maintain a training program for the licensee's agents and employees regarding compliance with the MMRSA **(AB 26/ Jones-Sawyer)**
- **Policing authority for medical marijuana cultivation:** An exemption from the medical marijuana licensing requirements does not limit or prevent local government from exercising its police power authority **(SB 435/Pan)**
- **Clarification for cities and counties to regulate medical cannabis:** Removes the MMRSA provisions that would have granted the Department of Food and Agriculture the sole licensing authority for medical marijuana authority cultivation if a local cultivation regulation was not in effect as of March 1, 2016 **(AB 21/ Bonta - Chaptered)**

Property Tax

- **Property taxation welfare exemption increase:** Increases exemption for tax cap on certain low income housing owned by non-profits; estimated annual local property tax reduction is at \$240,000 **(SB 678/ Hill)**
- **Property tax postponement:** Various provisions for senior citizen and disabled citizen property tax postponement **(AB 1952/ Gordon)**
- **Parcel tax notices:** Requires local governments to notify all property owners that the electorate will be voting on a parcel tax **(AB 2476/ Daly)**
- **Property tax contracts:** Requires government agencies to provide copies of recorded contracts to the assessor as soon as possible after the date of recordation; could be burdensome for locals **(AB 2450/ Achadjian)**
- **Property tax exemption for disabled veterans:** Expands the definition of "veteran" to include a person who was discharged from service in other-than-dishonorable conditions and otherwise meets the exemption criteria **(SB 1458/Bates)**
- **Tax increment financing: property tax override rates:** Prohibits the division of revenues derived from property tax override rates approved by the voters **(SB 975 / Senate Governance and Finance Committee)**
- **Local property tax: commercial air carriers:** Extends the approach for local property tax assessment of commercial certificated aircraft from December 2016 to 2019; a similar measure SB 1329 includes an unspecified end date and would allow trial de novo for locally assessed taxes on airline carriers **(AB 2622/ Nazarian and SB 1329/ Hertzberg)**
- **Commercial property reassessment:** Proposed "split roll" **(SCA 5/ Hancock; SB 1093/ Hancock & Mitchell)**

Vehicle Tax Revenue

- **Car tax revenue for cities incorporated after 2004 and before January 2012:** Restores funding and changes the formulas for calculating the annual vehicle tax adjustments for Eastvale, Jurupa Valley, Menifee and Wildomar; these cities were impacted during the 2011 budget process; the bill is similar to last year's SB 25/ Roth that was vetoed **(SB 817/ Roth; AB 2277/ Melendez)**

*Transparency*

- **Online postings for local government meetings:** Requires local governments to post a direct link to their meeting agenda online (**AB 2257/ (Maienschein)**)
- **Government financial transparency:** Establishes the “California Financial Transparency Act of 2016” and requires a (currently unspecified) state government entity to maintain a website that lists state financial obligations (**SB 1251/ Moorlach**)
- **State and local outstanding debt reporting:** Would require the state to track and report on all state and local outstanding debt until fully repaid or redeemed; the League is supportive of transparency and expressed concerns with the bill including the process surrounding reporting requirements (**SB 1029/ Hertzberg**)

Wages

- **Double pay the fourth Thursday in November:** Certain grocery and retail stores would be required to pay at least two times the regular rate of pay to an employee for work (**AB 67/ Gonzalez**)
- **Increase State’s minimum wage:** The State’s current minimum wage will increase from \$10 per hour to \$15 per hour, phased in from 2017 to 2018 and from 2018 to 2023 for small businesses (**SB 3/ Leno - Chaptered**)

SECTION 2: PREPAID MOBILE TELEPHONY SERVICES / BOE IMPLEMENTATION / CLEAN UP, SB 1481

The proposed Prepaid Mobile Telephony Services (Prepaid MTS) Regulations 2460, 2461, and 2462; and proposed amendments to Emergency Telephone Users Surcharge Regulations 2401, 2422, and 2413, were approved on January 26, 2016. MuniServices, through the cooperative efforts of participating cities, spent five years working with the wireless industry, retailers, the Governor’s office, the BOE, the CPUC, and the Legislature in developing a solution for a complicated problem for collecting local taxes owed from the usage of from “prepaid wireless.” We expect our client Utility User Tax (UUT) cities, on the average, to experience a 15 to 20% increase in their wireless UUT once the state program is fully functioning, probably by the fourth quarter of 2016. We will be closely monitoring BOE implementation costs. Finally, the Senate Governance and Finance Committee introduced SB 1481 to make housekeeping and technical changes to AB 1717; the bill includes clarifying language that provides that sellers with de minimis sales of prepaid MTS are not required to register as prepaid MTS sellers with the BOE.

SECTION 3: TRIPLE FLIP – FINAL PAYMENT

The DOF should get the final tabulations (of how much is owed to each county and each city) from BOE sometime in late May. The DOF expects to send the Controller the relevant transfer advice sometime in June and they (Controller) would make the transfers to the Sales and Use Tax Compensation Fund for each county shortly thereafter. The DOF expects those transfers to be made in June. After that, each county auditor has 60 days to allocate the funds to each city and to the county. Barring any mishaps or unforeseen complications, all the money should be in the correct accounts by the end of August. Source: DOF, April 2016

SECTION 4: GAS TAX/ TRANSPORTATION / ROAD MAINTENANCE/ VEHICLE FUEL TAX

- **Cap-and-trade funds:** Would transfer \$1 billion in cap-and-trade funds annually from the Greenhouse Gas Reduction Fund to the Retail Sales Tax Fund for highway and local street and road purposes (**AB 2094 /Obernolte**)
- **Transportation funding debt payments:** Redirects transportation revenue from funding debt service payments to instead pay for road improvement projects (**AB 2411/ Frazier**)
- **Transportation: advisory question: election:** Would require the Secretary of State to submit to the voters in the November 2016 election a question regarding a regressive tax increase on gasoline and vehicle registration with respect to low-income and middle class families (**AB 1910/ Harper**)
- **Vehicle fuel tax reduction:** Intent language to reduce the amount of the motor vehicle fuel tax (**AB 2326/ Wagner**)
- **Proposed Road Maintenance and Rehabilitation Program:** Creates the Road Maintenance and Rehabilitation Program to address deferred maintenance on the state highway, and local street road system (**AB 1591/Fraizer**)

**Governor's 2016-17 Proposed State Budget Transportation Priorities**

Road Improvement Charge: \$2 billion from a new \$65 fee on all vehicles, including hybrids and electrics

Stabilize Gasoline Excise Tax: \$500 million by setting the gasoline excise tax beginning in 2017-18 at the historical average of 18 cents and eliminating the current annual adjustments. The broader gasoline tax would then be adjusted annually for inflation to maintain purchasing power

Diesel Excise Tax: \$500 million from an 11 cent increase in the diesel excise tax beginning in 2017-18. This tax would also be adjusted annually for inflation to maintain purchasing power

Cap and Trade: \$500 million in additional cap and trade proceeds

Caltrans Efficiencies: \$100 million in cost saving reforms

SECTION 5: 2016-17 STATE BUDGET PROPOSAL HIGHLIGHTS

The Governor released his 2016-17 State Budget proposal on January 7, 2015 that includes a \$122.6 billion General Fund budget plan that makes significant increases in funding for education, health care and state infrastructure. We expect the Governor's May Revision to be released mid-May and the State Budget must be passed by midnight on June 15.

Rainy Day Fund: Makes a supplemental deposit of \$2 billion into the state's Rainy Day Fund - boosting the balance from 37 percent today to 65 percent of the Constitutional target.

Local Government/ RDA: Reviews the implementation of last year's SB 107 that made numerous changes to the RDA dissolution process, with the most significant short-term change in transitioning successor agencies from a biannual Recognized Obligation Payment Schedule (ROPS) process to an annual ROPS process in 2016.

Local Government/ Re-Entry Centers: \$25 million is included in the Budget to provide incentive payments to cities and counties that agree to issue permits for hard-to-site facilities such as re-entry centers and mental health facilities between January 1, 2016 and June 30, 2017.

Local Wildfire Relief: Includes funding to support Lake and Calaveras Counties with paying for revenue loss; backfill (\$1.9 million) in response to the losses for the respective fires along with \$2.6 million for a contract with South Lake County Fire and a \$267,000 contract with Calaveras County.

SECTION 6: FEDERAL PROPOSALS**Permanent Internet Tax Freedom Act Ban**

A permanent ITFA ban in the Trade bill was signed by the President. On October 22, 2015 Senator Feinstein sent a letter to ranking members in the Senate with concerns that a permanent prohibition would hurt local governments, especially in California; the Senator asked for consideration to protect existing voter-approved taxes on telecommunication networks. The actual impact of ITFA (which has been in effect as a moratorium for 18 years) on UUT remains to be seen, as traditional local exchange is gradually being replaced by broadband networks. By the end of this calendar year, MuniServices should have more real data to indicate: whether prepaid wireless revenues are likely to offset any losses due to ITFA; whether reductions in local exchange will continue; and any other trends in the broadband area that could affect your UUT.

The Remote Transactions Parity Act

HR 2775, The Remote Transactions Parity Act, is bipartisan legislation that would not impose a new tax, but would enable state and local governments to compel retailers to collect and remit sales taxes on online sales, which are already owed to them under current law. HR 2775 is similar to the proposed Federal Marketplace Fairness Act of 2015 (S. 698) that would permit states to require vendors with more than \$1 million in gross receipts from remote sales to collect sales tax on purchases made by state residents if the state adopts and implements specified simplification requirements.



SECTION 7: ECONOMIC TRENDS – HIGHLIGHTS

▪ **California Auto Outlook/ 4th Q 2015 / Released February 2016**

Source: <http://www.cncda.org/CMS/pubs/CNCDA%20EIR%202016%20FINAL.pdf>

2015 Vehicle Sales: New vehicles sold: 2,052,750; Used retail vehicles sold: 769,500; Total: 2,822,250

New Car Registrations: New vehicle registration expects to remain above 2 million units in 2016; increased for the 6th consecutive year.

Reasons: Strong consumer affordability, high demand for light trucks and lower gas prices (reported in February, 2016).

2016 Economic Impact Report: Annual contributions of the State's new car dealers: Total sales: \$117.36 billion; Percent of total State-wide sales tax collected: 14%; Total taxes collected or paid: \$9.63 billion; Total spent for products and services from other California businesses: \$2.571 billion.

▪ **Firms and Labor/ Released February 2016**

Source: http://www.labormarketinfo.edd.ca.gov/Page_Not_Found.html

Firms in California: 711,086 in 2013: 61% had less than 5 employees, 88% had less than 20 employees, 98% had less than 100 employees, and 99% had less than 500 employees (federal small business definition). About 5,802 firms in California had 500 employees or more.

California Labor Force: 19 million workers in the California labor force in February 2016 with 17.9 million employed; this is a month over increase of 62,000 jobs or a 221,000 (1.2%) increase in jobs over the prior year; most Californians, 80.5% generally worked full time; 975,000 persons in California who worked part time involuntarily.

▪ **Real Estate / Released March 2016**

Source: http://www.dof.ca.gov/finance_bulletins/2016/march/

Sales and Median Prices: Home sales dropped by 5.4 percent to 383,670 units; the median price of homes sold in January was \$468,330, down 4.3 percent from a month earlier; both were up from a year ago by 8.8 percent and 9.2 percent in sales and median price, respectively.

▪ **Economic Data – Revenues / Released March 2016**

Source: http://www.dof.ca.gov/finance_bulletins/2016/march/

Revenues: Year-to-date revenues (as of February) are \$442 million *above* the forecast of \$70.481 billion.

Personal income tax: \$348 million *above* the month's forecast of \$2.42 billion. Proposition 63 requires that 1.76% of the total personal income tax collections be transferred to the Mental Health Services Fund; the amount transferred in February was \$6 million higher than the forecast of \$43 million.

Sales and use tax: \$115 million *above* the month's forecast of \$2.436 billion. Year-to-date, sales tax cash (includes final payment for fourth quarter 2015 sales) as well as the first prepayment for the first quarter of 2016 sales is \$122 million *below* forecast.

Corporation tax: \$181 million *above* the month's forecast of \$17 million. Year-to-date revenues are \$335 million *above* forecast.

Revenues from the estate, alcoholic beverage and tobacco taxes, and pooled money interest: came in \$2 million *below* the \$69 million that was expected.

▪ **Quarterly Retail E-Commerce Sales / 4th Q 2015/ Released February 17, 2016**

https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf (CB16-24) (next release is May 17, 2016)

Estimate: Adjusted for seasonal variation for the fourth quarter of 2015, but not for price changes was \$89.1 billion, an increase of 2.1 percent ($\pm 0.9\%$) from the third quarter of 2015.

Total retail sales: Estimated at \$1,184.8 billion from the third quarter of 2015.

Increase in estimates: Increased 14.7 percent from the fourth quarter of 2015

E-commerce sales: Fourth quarter of 2015 accounted for 7.5 percent of total sales.

News

How are fuel prices affecting Sales Tax Revenues? The average price for regular unleaded gasoline in California has tumbled by 50% from the peak of \$ 4.66 per gallon in October of 2012 to a low of \$ 2.29 per gallon in February of 2016. The current \$ 2.60 per gallon price is expected to reach a peak for 2016 of \$ 3.40 by May. Despite the increases, the 2016 California annual average price is forecasted to end up between 5 and 10 percent lower than it was in 2015.

(CA Department of Finance, GasBuddy)

Will the positive trend in statewide employment and personal income continue? U.S. gains in employment have averaged 228,000 over the past 3 months. (CA Bureau of Labor Statistics) In California the current forecast is for continued steady gains in employment through 2017. Total employment growth is expected to be 2.1% for 2016 and 1.4% for 2017. Real personal income growth is forecasted to be 3.4% for 2016 and 3.2% for 2017. (UCLA Anderson)

Top 25 Sales Tax Generators

New to Top 25 *

CHEVRON SERVICE STATIONS	NOVATO AUTO CENTER	SEPHORA
COSTCO WHOLESALE	NOVATO BUILDERS SUPPLY	SHELL SERVICE STATIONS
CVS/PHARMACY	NOVATO CHEVROLET *	TARGET STORES
DSW SHOE WAREHOUSE	OLD NAVY CLOTHING CO.	THE SPORTS AUTHORITY
JS COLE COMPANY	PINI HARDWARE	TRAVELSMITH
KIA MARIN *	ROSS STORES	UNION 76 SERVICE STATIONS
MACY'S FURNITURE STORE	SAFEGWAY SERVICE STATIONS	WHOLE FOOD MARKET
MARIN COUNTY FORD	SAFEGWAY STORES	ZENNI OPTICAL *
MARSHALL'S STORES		

Business Activity

Oct'14 - Dec'14 to Oct'15 - Dec'15

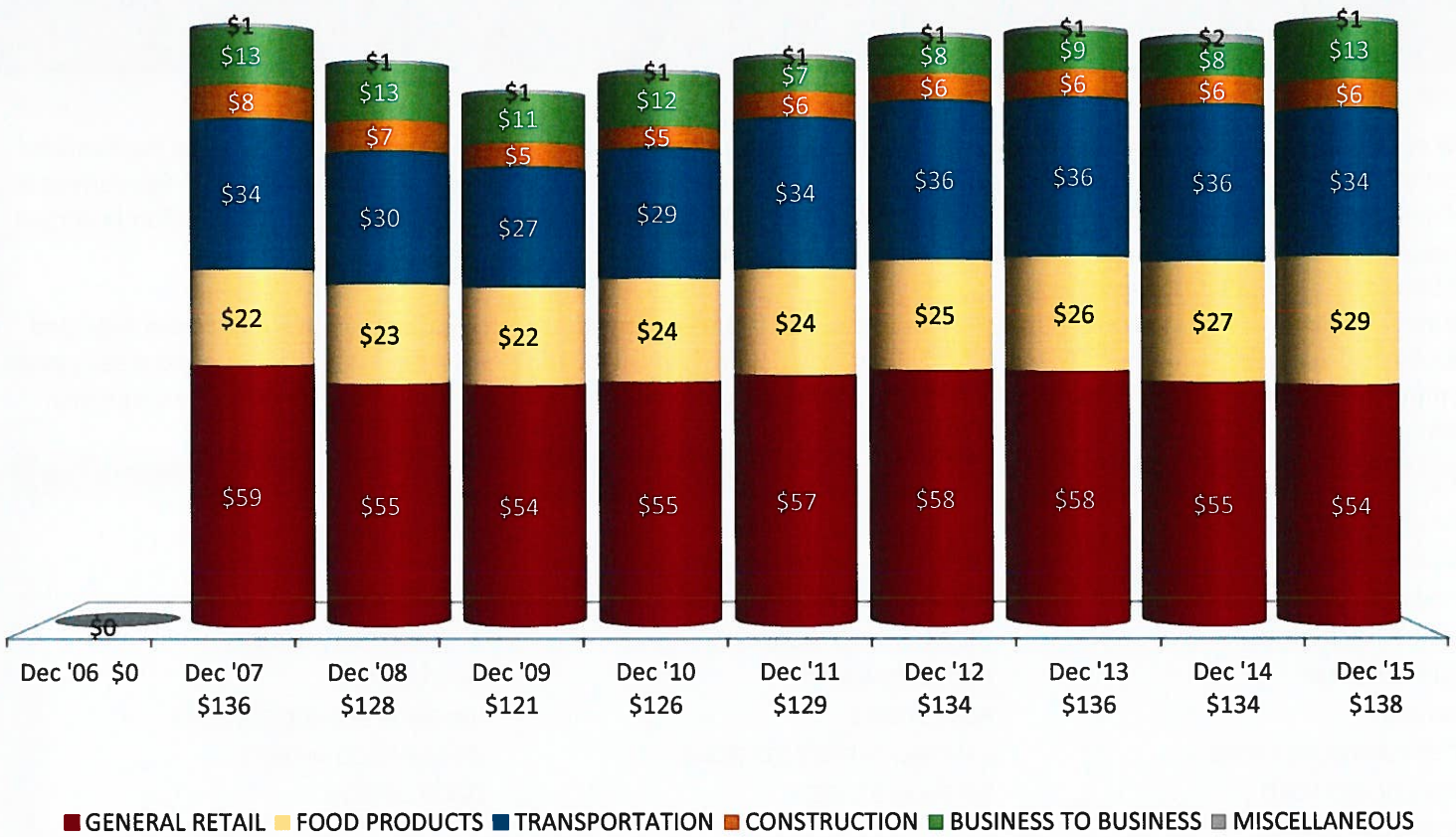
Jan'14 - Dec'14 to Jan'15 - Dec'15

	Novato	S.F. Bay Area	Statewide	Novato	S.F. Bay Area	Statewide
Total	4.4%	2.8%	2.6%	3.7%	3.0%	2.6%
General Retail	3.1%	1.7%	3.0%	1.6%	2.2%	3.1%
Food Products	4.0%	4.6%	4.8%	6.8%	6.3%	5.6%
Transportation	1.0%	1.2%	1.5%	-4.5%	-0.3%	0.2%
Construction	5.7%	5.8%	8.7%	0.0%	8.1%	8.0%
Business To Business	23.4%	4.5%	-2.0%	37.0%	2.3%	-1.2%
Department Stores	2.0%	-0.7%	1.9%	0.7%	-0.4%	1.0%
Restaurants	6.0%	5.5%	5.7%	8.6%	7.4%	7.1%
Service Stations	-9.1%	-12.7%	-11.1%	-14.4%	-16.7%	-14.3%
Auto Sales - New	14.1%	7.2%	8.7%	8.8%	8.8%	8.8%
Miscellaneous Retail	16.7%	3.4%	3.9%	10.2%	3.7%	4.2%
Food Markets	0.4%	1.6%	1.8%	4.3%	2.5%	1.4%
Apparel Stores	-2.5%	3.8%	3.9%	-3.2%	3.0%	3.2%
Light Industry	41.6%	22.3%	3.0%	39.3%	5.1%	1.6%
Auto Parts/Repair	1.9%	-1.3%	0.5%	2.1%	3.2%	5.1%
Bldg.Matls-Retail	13.8%	5.2%	4.7%	8.8%	6.4%	5.9%
Bldg.Matls-Whsle	-1.8%	6.3%	12.1%	-7.6%	9.7%	9.8%
Office Equipment	-69.2%	10.5%	1.4%	39.5%	5.8%	0.2%
Furniture/Appliance	-17.3%	-0.3%	3.8%	-6.0%	3.1%	6.9%
Drug Stores	1.6%	2.9%	2.9%	0.7%	3.0%	1.9%

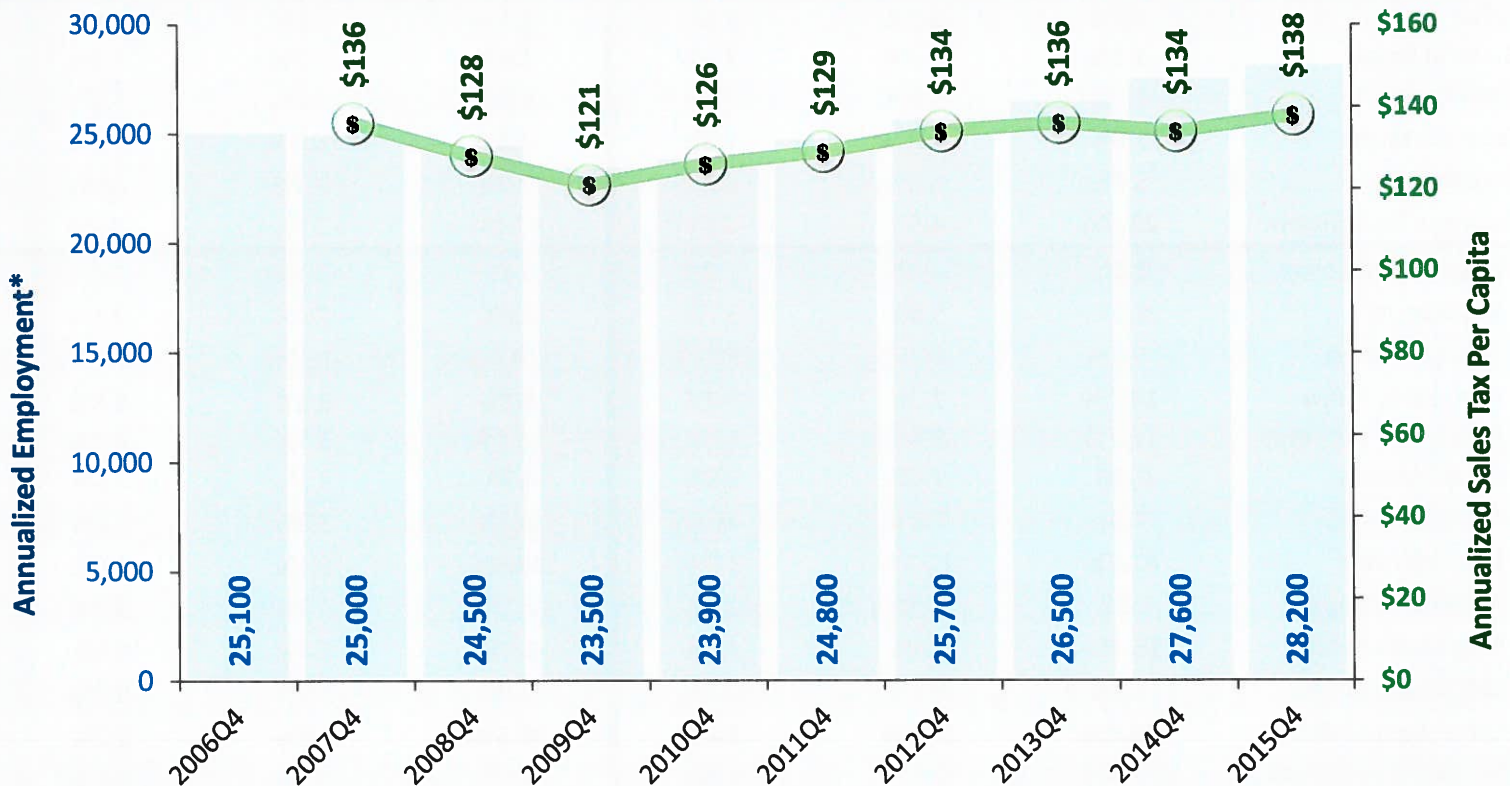
Sales Tax Per Capita

by Benchmark Year

Annualized Sales Tax For City Of Novato Divided By Its Population As Reported By State Department Of Finance

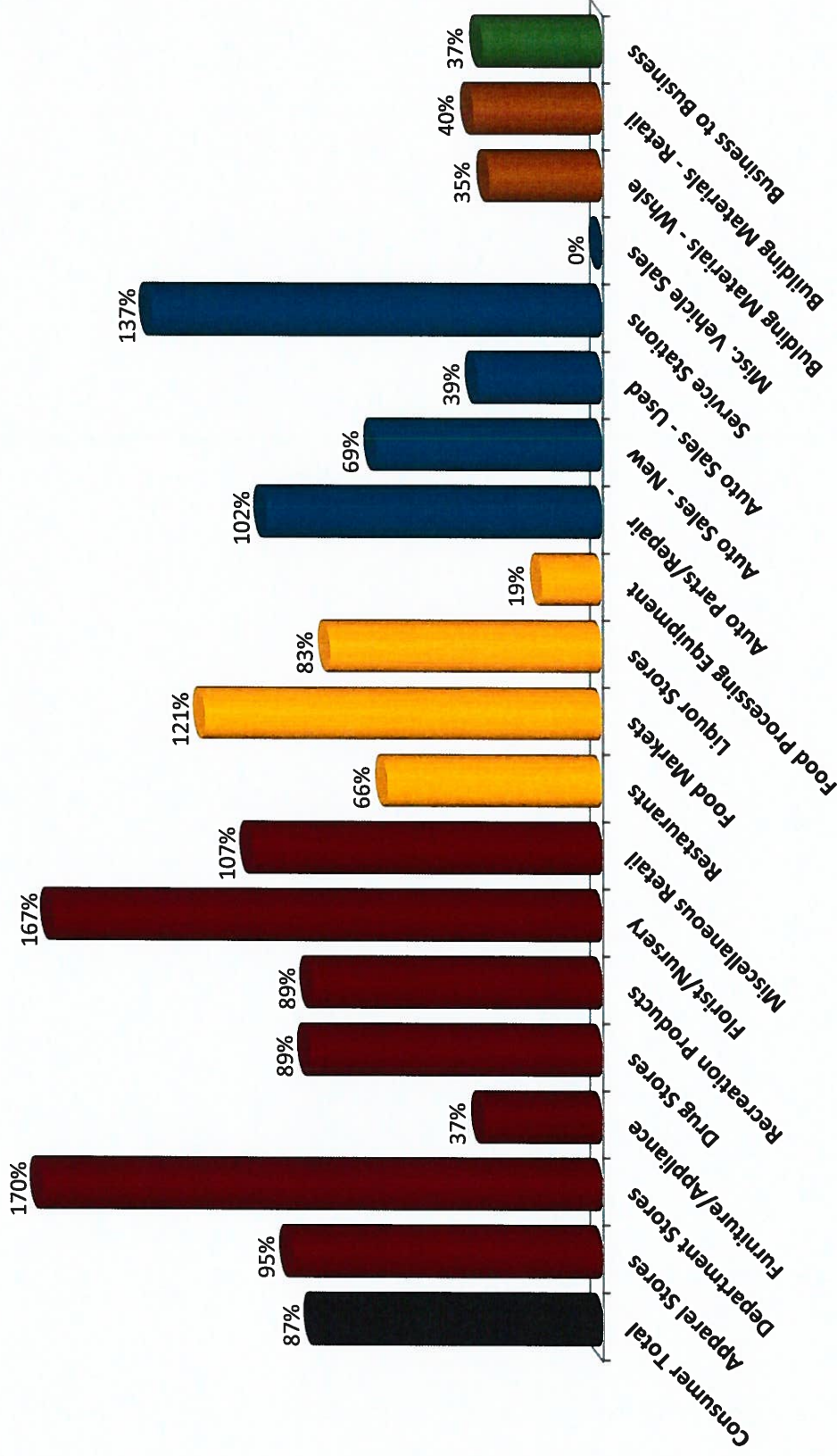


Comparing Estimated Annualized Employment and Gross Sales Tax Per Capita by Benchmark Year



Correlation Coefficient: **0.83**

Novato: 4th Quarter 2015 Sales Tax Capture & Gap Analysis Report



Economic Category



Chart's Message

The chart provides an overview of how well Novato is capturing potential sales tax based on its residents' effective buying income (disposable income) compared to purchasing habits in the S.F. Bay Area region.

