

**Ukiah Costco
Fiscal Impact Analysis**

Prepared for:

Environmental Science Associates

Prepared by:

ALH | ECON

ALH Urban & Regional Economics

July 2013

2239 Oregon Street
Berkeley, CA 94705
510.704.1599
aherman@alhecon.com

July 5, 2013

Mr. Ray Weiss
ESA | Community Development
2600 Capitol Avenue, Suite 200
Sacramento, CA 95816

Re: Ukiah Costco Fiscal Impact Analysis

Dear Mr. Weiss:

ALH Urban & Regional Economics (ALH Economics) is pleased to present this fiscal impact analysis of the proposed Costco project in the City of Ukiah. This analysis was prepared to provide an overview of the project's prospective fiscal impacts on the City of Ukiah's General Fund.

It has been a pleasure working with you on this project. Please let me know if there are any questions or comments on the analysis included herein.

Sincerely,



Amy L. Herman, AICP
Principal

TABLE OF CONTENTS

I. INTRODUCTION AND SUMMARY OF FINDINGS	1
INTRODUCTION.....	1
ANALYSIS APPROACH.....	1
SUMMARY OF FINDINGS.....	2
II. METHODOLOGY AND DATA RESOURCES	6
METHODOLOGY	6
DATA RESOURCES.....	6
III. FISCAL ASSUMPTIONS AND REVENUE AND EXPENDITURE ESTIMATES	8
FISCAL ASSUMPTIONS	8
FISCAL REVENUE ESTIMATES.....	9
COUNTY GENERAL FUND REVENUE ESTIMATES	12
FISCAL EXPENDITURE ESTIMATES	13
IV. FISCAL IMPACT FINDINGS	15
NET FISCAL IMPACT ANALYSIS OF UKIAH COSTCO PROJECT.....	15
FISCAL IMPACT LIMITATIONS.....	16
ASSUMPTIONS AND GENERAL LIMITING CONDITIONS	18

APPENDIX A: EXHIBITS

APPENDIX B: TRIPLE FLIP AND CITY SHARE OF SALES TAX INFORMATION

I. INTRODUCTION AND SUMMARY OF FINDINGS

INTRODUCTION

ALH Urban & Regional Economics (“ALH Economics”) prepared a fiscal impact analysis of the proposed Costco store in Ukiah, California. The proposed project development site is located on Airport Park Boulevard in the City of Ukiah, near other major retailers such as Walmart, Friedman’s, Food Maxx, and Staples. This project is planned to include a 148,000-square-foot Costco store with 20 gas pumps on approximately 15.33 acres (the “Project”). Costco will be purchasing the development site from the City of Ukiah Successor Agency for Dissolved Ukiah Redevelopment Agency. The purpose of this analysis is to demonstrate the net fiscal impacts of the Project relative to the City of Ukiah General Fund. The General Fund is the City’s primary source of revenues and expenses, and is the mechanism through which the City’s basic services are provided to residents, businesses, and other facilities located within the City of Ukiah. The study also includes information about the share of property tax revenues accruing to other taxing entities.

The fiscal impact analysis is based on key Project information and select assumptions developed by ALH Economics. All relevant information and assumptions are cited in the report or the accompanying exhibits. This includes the Project’s estimated 175 to 200 employees, approximately one-half of which are estimated to be full-time employees and one-half of which are estimated to be part-time employees, for a total of 152 full-time equivalent employees.¹ All dollar figures cited are in 2012 dollars. The analysis is benchmarked to the timeframe corresponding with stabilized operations of the Costco store.

Due to the nature of the development planning process, assumptions relevant to the fiscal impact analysis may change over time. This dynamic nature suggests that study findings should be considered general rather than detailed indications of the Project’s forecasted performance.

ANALYSIS APPROACH

The Costco store fiscal impact analysis is based upon independent research and upon findings from the urban decay study prepared for the store as part of the environmental review process. The independent research pertains to demographic estimates, tax rates, City of Ukiah General Fund revenue sources, and estimated City of Ukiah service costs. The City of Ukiah’s budget and other governmental documents were among the major resources for the analysis.

The urban decay study, also conducted by ALH Economics, explores the potential for the Project to cause or contribute to urban decay. This study, titled “Costco Wholesale Warehouse Urban Decay Analysis”, was issued in August, 2012. As part of its analysis, the urban decay study projects the retail sales performance of the Project, providing an estimate of the Costco store’s gross sales. In addition, the study examines the potential for some of the Costco store’s sales to occur to the detriment of existing retailers. Therefore, the urban decay study also presents findings regarding the store’s net increment of sales new to the market area served by the Project. Pursuant to the urban decay study, the market area identified for the Project includes all of Mendocino County and substantial portions of Lake County. All cited tax rates in the fiscal impact study were pursuant to the tax structure at the time

¹ The part-time employees are assumed to work an average of 25 hours weekly.

the Urban Decay Analysis was completed, in August 2012. Cited City service costs are the most recently available costs at that time as well.

The results of the Ukiah Costco Project fiscal impact analysis are presented for two scenarios. One scenario, comprising a minimum net fiscal impact, assumes a worst case stance that all existing retail sales potentially diverted by the Costco store will occur to the detriment of existing Ukiah retailers. This is a worst case scenario because it is unlikely to actually occur, since the sales diversions resulting from the Costco store development will likely be spread among a wide range of stores, including stores throughout the Project's market area. Thus, to assume that all sales will be diverted from Ukiah retailers is an analytic convention designed to maximize conservatism in the fiscal impact analysis. The second scenario, comprising a maximum net fiscal impact, is based on the gross sales estimates generated by the Ukiah Costco store, with no detrimental impacts on existing Ukiah retailers. In turn, this presents an unlikely best case analysis, as it is most likely that the results will occur somewhere between the two approaches, with some, but not all diverted sales occurring to the detriment of existing Ukiah retailers.

Another component of sensitivity factored into the analysis pertains to the City of Ukiah's property tax rate. The Costco Project site is located in an area that has historically comprised a City of Ukiah Redevelopment Project Area. In the past, the majority of property taxes generated from properties in this Redevelopment Project Area accrued to the City of Ukiah's Redevelopment Agency. However, recent State of California legislative and court actions have resulted in the demise of Redevelopment in California. Accordingly, this fiscal impact analysis assumes that property tax distribution will revert to a more traditional distribution, with the City of Ukiah General Fund receiving a share of the basic 1% property tax rate consistent with the share collected from other City of Ukiah properties outside the Redevelopment Project Area.

ALH Economics reached out to the Mendocino County Auditor-Controller to obtain the City of Ukiah's property tax rate for a representative property not in the City's Redevelopment Project Area. The information shared by the Auditor-Controller, indicated a 9.38% (rounded) property tax rate for the City of Ukiah.

SUMMARY OF FINDINGS

Fiscal Impact Analysis

The results for the minimum and maximum net fiscal impact analyses are summarized below. These findings are summarized in Exhibit 1 on the following page.

Minimum Net Fiscal Impact Findings. The minimum net fiscal impact findings indicate that on an annual basis, the Project is estimated to generate \$471,194 in gross revenue to the City of Ukiah General Fund. The largest General Fund revenue component is incremental retail sales tax estimated at \$396,103 per year, even with the worst case assumption that all sales estimated to be diverted from existing retailers are Ukiah retailers. All other General Fund revenues are much lower, with property taxes comprising the next largest General Fund revenue source at \$25,285, followed by business license fees at \$22,274, property tax in lieu of VLF revenues at \$21,521, and yet other lesser revenues. In addition, the Project's City of Ukiah Measure S sales tax proceeds dedicated to a special Public Safety Fund are estimated at \$198,051.

Exhibit 1
Ukiah Costco
Annual Net Fiscal Impact Analysis (1)
City of Ukiah General Fund and Public Safety Fund
FY 2011-12 Dollars

General Fund Revenues and Expenditures Categories	Net Fiscal Impact	
	Minimum (2)	Maximum (3)
Revenues (4)		
Property Taxes (5)	\$25,285	\$25,285
Property Tax in Lieu of VLF (6)	\$21,521	\$21,521
Business License Fees (7)	\$22,274	\$38,620
Retail Sales Taxes (8)	\$396,103	\$617,711
Franchise Fees (9)	\$5,803	\$5,803
Fines, Fees & Forfeitures (9)	\$208	\$208
Sub-total	\$471,194	\$709,149
Expenditures (10)		
General Government	\$8,175	\$8,175
Public Works	\$3,681	\$3,681
Community Services	\$6,851	\$6,851
Public Safety	\$32,414	\$32,414
Capital Maintenance	\$6,327	\$6,327
Sub-total	\$57,447	\$57,447
General Fund Net Impact		
All Revenues and Expenses (11)	\$413,747	\$651,702
Additional Measure S Sales Tax Revenues to to Public Safety Fund (12)	\$198,051	\$308,856
General Fund and Public Safety Fund Net Impact		
All Revenues and Expenses (13)	\$611,798	\$960,557

Source: ALH Urban & Regional Economics.

Notes:

- (1) Includes estimated General Fund revenues less estimated General Fund expenditures.
- (2) The minimum net fiscal impact corresponds with the maximum sales impact scenario presented in Exhibit 6. This scenario is highly conservative and assumes that all taxable sales diverted as a result of the Costco store occur in the City of Ukiah, thus reducing the City's taxable retail sales base. This is a highly conservative assumption because sales diversions will occur in other locations besides the City of Ukiah. Three revenue sources are varied for this analysis, including retail sales tax, business license fees (see variation in business fees in Exhibit 7), and Measure S sales tax.
- (3) The maximum net fiscal impact corresponds with the minimum sales impact scenario presented in Exhibit 6. This would comprise no taxable sales diversions from existing City of Ukiah retailers. This scenario corresponds to the net fiscal impact analysis of the Costco store absent consideration of any existing retailer impacts.
- (4) Includes the most substantial revenues anticipated to accrue to the City of Ukiah General Fund resulting from the Project's stabilized operations. However, there may be yet additional revenues flowing to the General Fund pursuant to the Project's operations.
- (5) See Exhibit 4.
- (6) See Exhibit 5.
- (7) See Exhibit 7.
- (8) See Exhibit 6 for the taxable retail sales and Exhibit 3 for the retail sales tax rate.
- (9) See Exhibit 8 for the per employee revenue figures and Exhibit 2 for the estimated number of Project employees.
- (10) The estimated service costs per employee were derived in Exhibit 9. These costs were multiplied by the estimated number of Project employees presented in Exhibit 2.
- (11) Comprises revenues less expenditures.
- (12) See Exhibit 6 for the taxable sales range and Exhibit 3 for the Measure S sales tax rate. As with the retail sales tax estimate, the taxable sales estimate varies pursuant to the estimated taxable sales diversions.
- (13) Includes the Measure S sales tax revenues.

The average cost General Fund expenditures estimated to be attributable to the Project total \$57,447 annually. This reflects the average City of Ukiah service costs for General Government, Public Works, Community Services, and Public Safety, plus an allocation for Capital Maintenance.

The net result of the Project's fiscal impact at stabilized operations for the minimum net fiscal impact scenario, assuming on a worst case basis that all diverted sales are diverted from Ukiah retailers, is a projected \$413,747 annual contribution to the City of Ukiah's General Fund. This represents an annual contribution net of estimated City costs to service the Project equivalent to approximately 2.8% of the City's General Fund expenditures, which is a moderate contribution. Factoring in the Measure S sales tax proceeds, which are dedicated to a special Public Safety Fund, boosts the Project's total net revenue under the minimum net fiscal impact scenario to the City of Ukiah to \$611,798, or approximately 4.2% of the City's General Fund expenditures.

Maximum Net Fiscal Impact Findings. The maximum net fiscal impact findings indicate that on an annual basis, the Project is estimated to generate \$709,149 in gross revenue to the City of Ukiah General Fund. The largest General Fund revenue component is incremental retail sales tax estimated at \$617,711 per year, which corresponds to retail sales taxes on all taxable Costco sales. This corresponds with the store's gross sales, irrespective of any potential impacts on existing Ukiah retailers. All other General Fund revenues are much lower, with business license fees totaling \$38,620 comprising the next largest General Fund revenue source, followed by property taxes at \$25,285, property tax in lieu of VLF revenues at \$21,521, and yet other lesser revenues. In addition, the Project's City of Ukiah Measure S sales tax proceeds dedicated to a special Public Safety Fund based on total taxable sales are estimated at \$308,856.

The average cost General Fund expenditures estimated to be attributable to the Project under the maximum net fiscal impact scenario are the same as the minimum net fiscal impact scenario, or \$57,447 annually.

The net result of the Project's gross fiscal impact at stabilized operations for the maximum net fiscal impact scenario is a projected \$651,702 annual contribution to the City of Ukiah's General Fund. This represents an annual contribution net of estimated City costs to service the Project equivalent to an estimated 4.5% of the City's General Fund expenditures, which comprises a substantial contribution. Factoring in the Measure S sales tax proceeds, which are dedicated to a special Public Safety Fund, boosts the Project's total net revenue under the maximum net fiscal impact scenario to the City of Ukiah to \$960,557, or approximately 6.6% of the City's General Fund expenditures.

Other Taxing Entity Property Tax Revenues. In addition to the City of Ukiah, there are 14 other taxing entities that will receive a portion of the revenues generated by the basic 1.0% property tax. The entities that will receive the greatest estimated share of property tax revenues include:

- Ukiah Unified School District, \$92,886
- Mendocino County, \$65,001
- Educational Revenue Augmentation Funds,² \$42,510
- Mendocino Community College, \$17,420
- Mendocino County Office of Education, \$11,180

² These funds are subsequently redistributed to educational entities.

Including the City of Ukiah this accounts for 94.4% of all generated property tax revenues. Other taxing agencies that will share the remaining \$15,146 in property tax revenues include the library, Russian River Cemetery, and the County water agency, among others.

Mendocino County General Fund Revenues. In addition to \$65,001 in annual ad valorem property taxes, the Mendocino County General Fund will benefit from sales tax revenues generated by the Project's taxable sales. These sales tax revenues are estimated to range from \$49,513 to \$77,214. Thus, Mendocino County's General Fund is estimated to receive from \$114,514 to \$142,215 in revenues annually resulting from the Project's development in Ukiah.

Limitations of Findings

The foregoing findings are intended to give a general sense of the net fiscal impacts of the Project. The figures are not precise estimates and changes will occur if the City of Ukiah fiscal revenue and expenditure factors or other assumptions are developed with more precision or change. Nonetheless, the findings suggest a very strong likelihood that the Ukiah Costco Project will result in a significant net positive fiscal impact to the City's General Fund and the Public Safety Fund.

II. METHODOLOGY AND DATA RESOURCES

METHODOLOGY

ALH Economics developed an approach to the proposed Ukiah Costco project fiscal impact analysis designed to provide an understanding of the Project's net fiscal impact on the City of Ukiah's General Fund using specific Project information as much as possible. This includes estimates of revenues generated by the Project that accrue to the City's General Fund as well as service costs incurred by the City funded through the General Fund.

The analysis is grounded in the City's budget and existing revenue base and performance estimates for the Project. The analysis is structured to examine the Project's impacts upon full build out and assumed stabilization. To facilitate the analysis and interpretation of the results, the findings are presented in 2012 dollars.

The City expenditures analysis was conducted using two approaches – the marginal cost, or case study approach, and the average cost approach. The marginal cost approach involves obtaining cost information directly from City department representatives based on Project specifics, such as new building area, number of employees, and type of operations. This approach is often perceived as the more accurate approach to estimating expenditures, because it is based on expectations of actual service requirements and associated City costs. For the purpose of this study, queries about marginal costs were directed to City department representatives by ALH Economics. Revenues can also be estimated on a marginal basis, based on revenues tied to specific project performance characteristics, such as property value and business license fees.

The alternative approach to expenditures is an average cost approach. This is typically the most expeditious approach for a fiscal impact analysis but is also one that can result in under or over estimation of both project-related costs and revenues. In this approach, costs are derived by determining an average cost to provide existing services on a per capita basis for the relevant population served, which is then applied to the comparable population base for the project under study. The average costs in this study are based on the City of Ukiah's annual budget, which for this analysis included the Adopted Budget for 2011-2012.

Wherever possible, efforts were made throughout the analysis to develop assumptions or estimates in a conservative manner, in order to not overstate potential net revenues attributable to the Project. The analysis was conducted in a series of linked excel-based worksheets. Exhibits generated from these worksheets are included in the Appendix.

DATA RESOURCES

The fiscal impact analysis relied upon a number of key resources. These resources are all identified in the sources and notes to the exhibits developed to support the analysis and provide the results. These resources are as follows:

- ***Project environmental documents.*** ALH Economics prepared a study assessing the urban decay impacts of the Project as part of the Project's environmental documentation. This report, titled "Costco Wholesale Warehouse Urban Decay Analysis," was the source of key assumptions including minimum and maximum taxable sales.

- ***Materials provided by Costco Wholesale Corporation.*** These materials include the Project's estimated sales, information about full-time and part-time employee counts, and estimated construction costs.
- ***Materials provided by other Project representatives.*** These include Project information submitted to the City of Ukiah by David Babcock & Associates including acreage and estimated employment.
- ***City of Ukiah resources.*** These include the City's website, the City of Ukiah 2011-2012 Adopted Budget, the Finance Department and other departmental representatives, and the City of Ukiah Business License Fee schedule.
- ***Third party resources.*** A number of third party resources were referred to for information important to the analysis. These sources include RealQuest, the State of California Department of Finance, the State of California Employment Development Department, the State of California Board of Equalization, the Mendocino County Auditor-Controller, and the municipal tax consulting firm Hinderliter, de Llamas & Associates.

All of these resources are identified as warranted in the series of exhibits that document the fiscal impact analysis as well as in the text. The cited exhibits can be found in the Appendix.

III. FISCAL ASSUMPTIONS AND REVENUE AND EXPENDITURE ESTIMATES

FISCAL ASSUMPTIONS

The assumptions and building blocks underlying the fiscal impact analysis are presented in Exhibits 2 and 3, which can be found in the Appendix. Footnotes to the exhibits provide detail in addition to what is provided in the text. A summary of these exhibits and their primary purpose follows.

- **Exhibit 2, Project Description, Employment, and Service Population Estimates.** This exhibit summarizes the proposed Ukiah Costco development program. This program is based on information provided by David Babcock & Associates and Costco Wholesale Corporation. Stabilized employment estimates are provided for on a full-time equivalency employment basis. These provide a foundation for estimating the Project's "service population." Ukiah Costco employment is estimated to total 175 to 200, or an average of 187.5. Pursuant to information provided by Costco, an estimated one-half of these employees will be full-time and one-half will be part-time. The part-time employees are estimated to average 25 hours per week. This results in estimated stabilized full-time equivalent employment totaling 152. The Project's service population estimate therefore totals 76, which comprises one-half the 152 estimated full-time equivalent employees, on the assumption that employees do not require the same level of service as residents. This is an industry-standard assumption and is relevant to the calculation of average cost City expenditures, provided as an alternative to the City's estimated marginal service costs.³ Some City revenues are also estimated based on the Project's service population.
- **Exhibit 3, City of Ukiah Demographic, Employment, and Tax Characteristics.** This exhibit contains many of the baseline assumptions and information necessary to generate estimates of City of Ukiah revenues and expenses applicable to the Project. These include population and employment estimates used to generate the size of the City's existing service population for the purpose of deriving existing average cost expenditures and some per capita revenues. These estimates include a population base of 15,960 in January 2012 and an employment base of 6,520 in May 2012. Both figures are assumed to comprise population base indicators for the study's 2012 analysis. Based on the assumption that each employee is equivalent to one-half a resident, the City's service population is estimated to total 19,220.

This exhibit also includes key tax-related information unique to Ukiah, such as property and sales tax rates, vehicle in lieu of property tax revenues, and secured and unsecured property assessed valuation, all of which are germane to the fiscal impact analysis as noted in other exhibits. Most relevant is the City's estimated share of the basic 1% property tax rate collected by the County. This is the estimated rate applicable to property located in the City of Ukiah not located within a Redevelopment Project Area. The Costco property is located in Ukiah's Redevelopment Project Area. Previously, the majority of property taxes generated from properties in the Redevelopment Area accrued to the City of Ukiah's Redevelopment Agency. However, recent State of California legislative and court actions have resulted in the demise of

³Most fiscal impact analysts typically equate 2 to 3 employees with 1 resident, or 0.5 to 0.33 employees per resident, on the theory that people who work in an area place less demands on services than residents. For the purpose of this analysis ALH Economics used the 0.5 employees per resident factor, which is a more conservative choice than the 0.33 factor, especially relative to service cost estimates based on the average cost approach.

Redevelopment in California. Accordingly, this fiscal impact analysis assumes that property tax distribution will revert to a more traditional distribution, with the City of Ukiah General Fund receiving a share of the basic 1% property tax rate consistent with the share collected from other City of Ukiah properties outside the Redevelopment Project Area.

ALH Economics reached out to the Mendocino County Auditor-Controller to obtain the City of Ukiah's property tax rate for a representative property not in the City's Redevelopment Project Area. The information shared by the Auditor-Controller indicated a 9.38% (rounded) property tax rate for the City of Ukiah.

This exhibit indicates the City's sales tax rate is 1.0%. This is the effective sales tax rate for the City. This comprises a basic rate of 0.75% with an additional 0.25% generated pursuant to the triple flip, which includes sales taxes diverted temporarily by the State of California but returned via other fiscal means. This other fiscal means is through property taxes, labeled "Triple-Flip Property Tax in Lieu" in the City's budget. Information about how the triple flip works in California is included in Appendix B. This information was prepared by the municipal tax consulting firm Hinderliter, de Llamas & Associates. This appendix also includes copies of materials from the State of California Board of Equalization referencing the City of Ukiah's 1.0% sales tax rate. Finally, the City has a special ½ cent sales tax, referred to as Measure S Sales Tax, which proceeds go to fund a special Public Safety Fund. This tax is due to expire in September 2015 unless the electorate votes to extend the tax.

FISCAL REVENUE ESTIMATES

The revenue calculations for the fiscal impact analysis are presented in Exhibits 4 through 7. A summary of these exhibits and their primary purpose follows.

- ***Exhibit 4, Incremental Property Valuation and Annual Property Tax, Property Valuation Pursuant to the Cost Approach, City of Ukiah, 2012 Dollars.*** This exhibit presents the assumptions and conclusions regarding the property valuation of the Project upon the completion of development and the estimated property tax revenues that will accrue to the City of Ukiah General Fund.

The total valuation is estimated as well as the increment net of the existing property value. When complete, the Mendocino County Assessor will value the property for property tax purposes using three approaches to value: cost; income; and comparables. For the purpose of this analysis, ALH Economics prepared a cost approach based upon currently available information, such as land acquisition cost and estimated construction costs. Based upon construction costs provided by Costco Wholesale Corporation, and reviewed for reasonableness by ALH Economics, and a land acquisition cost provided by the City of Ukiah, the Project's property valuation upon completion is estimated at \$26.9 million.

Costco Wholesale Corporation is purchasing 15.33 acres of land from the City of Ukiah for this Project. This property is part of a larger assemblage of land that the City of Ukiah had appraised for \$3.50 per square foot. This appraised value comprises the negotiated sales price between the City of Ukiah and Costco Wholesale Corporation. For 15.33 acres this comprises a \$2,337,212 sale price.

Because the City of Ukiah Successor Agency for Dissolved Ukiah Redevelopment Agency is the current property owner, no property taxes are currently generated by the property. Therefore,

100% of the property taxes based upon the estimated value of the Project will comprise net new property taxes. Accordingly, the incremental annual property tax revenues that will accrue to the Ukiah General Fund are estimated at \$25,285. This is based on the City of Ukiah receiving 9.38% of the basic 1% property tax proceeds as cited in Exhibit 3 and depicted in Exhibit 4.

Along with the City's share of the basic 1.0% property tax Exhibit 4 identifies other taxing entities that will receive property tax revenues. These are the entities for a representative tax rate area in the City of Ukiah. The actual distributions for the Costco site may vary from these distributions, but the variances are not likely to be substantial. There are an additional 14 taxing entities that will receive a share of the property taxes. The entities with the largest percentages and associated property tax revenues estimates are as follows:

- Ukiah Unified School District, 34.48%, \$92,886
- Mendocino County, 24.13%, \$65,001
- Educational Revenue Augmentation Funds⁴, 15.78%, \$42,510
- Mendocino Community College, 6.47%, \$17,420
- Mendocino County Office of Education, 4.15%, \$11,180

Including the City of Ukiah this accounts for 94.4% of all generated property tax revenues. Other taxing agencies that will share the remaining 5.6% of property tax revenues, or \$15,146, include the library, Russian River Cemetery, and the County water agency, among others.

- **Exhibit 5, Property Tax in Lieu of VLF Estimates, Project Stabilization, Net New or Incremental Valuation Attributable to Ukiah Costco Development, City of Ukiah, FY 2011-12 Dollars.** This revenue component, Property Tax in Lieu of Vehicle License Fees (VLF), is derived from the Project's anticipated contribution to increased property valuation throughout the City of Ukiah. This is the method by which such tax revenues are estimated by the State of California and redistributed to local jurisdictions. This is a state substitute for prior motor vehicle license taxes that were redistributed by the State to municipalities. The results of these calculations indicate that the incremental value associated with the Project is estimated to increase the City's assessed valuation by 1.77%, a noticeable increase. This will provide an estimated revenue increase of \$1.2 million to the City of Ukiah.
- **Exhibit 6, Estimated Costco Project Taxable Retail Sales – Maximum and Minimum, City of Ukiah, FY 2011-12 Dollars.** Retail sales tax revenues generated by the Project will comprise a major revenue source to the City of Ukiah. This exhibit presents the total estimated taxable retail sales that will be generated by the Costco store and the minimum net taxable amount, less potential taxable sales diversions from existing Ukiah retailers. These are presented as maximum and minimum taxable sales estimates.

The maximum taxable sales estimate corresponds with the estimated taxable portion of the Costco sales. The amount and distribution of sales is estimated in the previously referenced companion report, "Costco Wholesale Warehouse Urban Decay Analysis." The total store sales estimate upon Project stabilization is estimated at \$113.8 million. The companion urban decay study provided information about taxable versus nontaxable sales in major sales

⁴ These funds are subsequently redistributed to educational entities.

categories reported by the State of California Board of Equalization. These include estimates that 30% of food sales are taxable and 33% of pharmacy sales are taxable. The estimated pharmacy sales are included in the "Other Retail Group" sales estimate referenced in Exhibit 6 pursuant to State of California Board of Equalization (BOE) classification procedures, with pharmacy sales assumed to comprise 20.73% of the "Other Retail Group" estimated sales component. This assumption is based on ALH Economics analysis of BOE data for the market area. The urban decay study also referenced a typical portion of "General Merchandise" sales that are not taxable. However, for the purpose of this analysis it is assumed that this non-taxable portion is not relevant since this is an allocation for food sales and there is already a large increment of food sales estimated for the Costco store.

The maximum taxable retail sales generated by the Costco store are estimated to total \$61.8 million. This is the gross amount of taxable sales estimated to be generated by the Costco store.

On a worst case basis, sales at the Costco store will be achieved to the detriment of other existing retailers throughout the trade area served by the Costco store. This market area, as defined in the "Costco Wholesale Warehouse Urban Decay Analysis," includes all of Mendocino County and a large portion of Lake County. Thus, any sales that are diverted from existing retailers to the benefit of Costco will likely be distributed throughout this market area. However, to provide a worst case analysis, the fiscal impact analysis conservatively estimates the minimum net taxable retail sales generated by the Costco store assuming that all diverted sales are diverted from Ukiah retailers. These diverted sales are estimated in "Costco Wholesale Warehouse Urban Decay Analysis" to total \$46.7 million. The diversion of all these sales from Ukiah retailers is an unlikely scenario, but as stated, presents a worst case analysis, which will result in the lowest estimated retail sales tax estimate possible for the Costco store.

Pursuant to the above-cited worst case assumptions, and the same taxable vs. non-taxable assumptions cited above, the minimum net taxable retail sales estimated for the Costco store totals \$39.6 million.

- **Exhibit 7, Select City of Ukiah General Fund Revenues – Business License Fees and Sales Taxes, City of Ukiah, FY 2011-12 Dollars.** There are two revenue sources identified in this exhibit along with the corresponding revenues estimated to be generated by the Project. These revenue sources include business license fees and retail sales taxes. Yet other revenues are referenced in Exhibit 8.

As presented in this exhibit, the Costco store is estimated to generate \$38,620 annually in recurring business license fee revenues. This is based on the City's current fee of \$0.35 per \$1,000 in gross receipts, with no limitation (see Exhibit 3). This business license rate is applied to the gross sales estimate for the Costco store less an estimated 3% allocation for alcohol (pursuant to Costco information), which is not subject to the City's Business License Fee.

As with the taxable sales estimate, a more conservative net Business License Fee is also estimated, continuing the worst case analysis assumption that all sales diverted from existing retailers are diverted from Ukiah retailers. For this estimate, the worst case assumption is that \$46.7 million in sales will be lost to local businesses (see Exhibit 6). Assuming all of these sales are subject to the Business License Fee results in a loss of \$16,347 in Business License

Fee income to the City of Ukiah's General Fund. Thus, the net Business License Fee revenue would be \$22,274 annually.

Similar to the Business License Fee estimate, there is a minimum and maximum sales tax estimate for the Costco store, corresponding to the taxable sales estimates in Exhibit 6. These taxable sales estimates range from \$39.6 million to \$61.8 million.⁵ Based on the City's 1.0% sales tax rate this equates to \$396,103 to \$617,711 in sales tax revenues to the City's General Fund. While it is in place, additional Measure S Sales tax revenues will be generated, totaling \$198,051 to \$308,856 in additional sales tax revenues.

- **Exhibit 8, Select City of Ukiah General Fund Revenues – Franchise Tax and Fees, Fines & Forfeitures, City of Ukiah, FY 2011-12 Dollars.** There are two revenue sources identified in this exhibit along with the corresponding revenues estimated to be generated by the Project. These revenue sources include franchise taxes and fees, fines & forfeitures.

The Franchise Fees are associated with use of franchised utilities, including PG&E and City utilities. There are also cable t.v. franchise fees. These fees will not be generated on a per employee basis, but rather based upon utility usage. However, for the purpose of fiscal impact analysis, the franchise tax revenue projection is prepared on a per service population basis as an analytical convention, with employment in this case serving as a proxy for measuring franchise tax revenues. Therefore, the calculation in Exhibit 8 is based on the City's Franchise Tax revenues calculated on a per service employee basis and then multiplied by the service employee equivalent of the anticipated Project employment. This fee does not include the cable t.v. portion of the City's projected franchise fee payment because cable t.v. use is typically associated with residential use and not business use. The result is a fee of \$76.36 per service employee, which when multiplied by the Project's service population of 76 results in an annual franchise tax fee of \$5,803.

While relatively low in comparison, the Project is also estimated to generate approximately \$208 annually in fees, fines & forfeitures associated with fees and fines collected by the City of Ukiah for various local transgressions. This fee revenue is also calculated on a per service population basis, averaging \$2.74 per service population. Applying this fee to the Project's 76 service population equivalent results in the \$208 annual estimate.

COUNTY GENERAL FUND REVENUE ESTIMATES

As noted in Exhibit 4, Mendocino County receives a portion of the property taxes that will be generated by the Project. These ad valorem taxes, totaling \$65,001 per year, will accrue to the County's General Fund. As noted in Exhibit 4, yet other County funds will receive a portion of property taxes. The County's General Fund will additionally receive sales tax revenues resulting from the Project's taxable sales. Pursuant to Exhibit 6, the minimum and maximum amount of taxable sales generated by the Project will total \$39.6 million to \$61.8 million. The County's sales tax rate is 0.125% of taxable sales. The following text table estimates what the County's resulting sales tax benefits will be based on the range of Costco's estimated net taxable sales.

⁵ The Costco project is anticipated to open with 16 gas pumps, increasing to 20 pumps at stabilization. Projected gas sales and associated sales taxes are anticipated to remain constant, with the sales achieved with 16 pumps redistributed among 20 pumps following the expansion.

Mendocino County Costco-Related General Fund Revenues, 2012 Dollars

Revenue Category	Minimum	Maximum
Costco Taxable Sales		
Net Taxable Sales (1)	\$39,610,272	\$61,771,121
County General Fund Sales Tax and Other Revenues		
Sales Tax Revenues (2)	\$49,513	\$77,214
Ad Valorem Property Tax Revenues (3)	\$65,001	\$65,001
Total County General Fund Revenues	\$114,514	\$142,215

(1) See Exhibit 6.

(2) The County's sales tax rate is 0.125%, applied to the estimated taxable sales.

(3) See Exhibit 4.

As the above table indicates, the County's Costco-related sales tax revenues will range from \$49,513 to \$77,214. Adding these estimated revenues to the County's ad valorem property tax revenues results in an annual County General Fund revenue estimate ranging from \$114,514 to \$142,215. Thus, the County's General Fund is estimated to receive a minimum of \$114,514 in revenues annually resulting from the Project's development in Ukiah.

FISCAL EXPENDITURE ESTIMATES

As discussed in the Methodology section, fiscal impact studies typically engage in two methods to estimate project-based service costs. One is the average cost approach, typically implemented in the absence of detailed service provision and cost information, and one is the marginal, or case study approach, which derives estimated service costs based on expectations of service demands and associated actual service delivery costs.

Key City of Ukiah staff were queried regarding the marginal costs to provide services to the proposed Ukiah Costco Project. Information conveyed in conversations with these staff suggested that limited additional service costs were anticipated associated with Costco. The City's Public Safety Officer indicated he did not anticipate much need for incremental police or fire services. His greatest concern involved holiday season traffic and the potential for increased traffic accidents due to a perceived higher volume of consumer shopping. He also expressed a desire that the Costco grounds be developed in a manner designed to dissuade congregations of homeless persons. The City's Public Works Director also did not anticipate a marginal impact on the City's cost of Public Works services. However, he did mention a general City need for Capital Maintenance, not specifically tied to development of the Costco, but also not included in the City's budget. An allocation for this cost item is included in the average cost analysis, discussed below. Finally, the City's Community Services Administrator was also queried about added service costs associated with Costco. Her concerns related primarily to increased demands on City parks and recreational services due to Costco's market draw and expectations of attracting shoppers and visitors who do not already frequent Ukiah businesses and services. However, no costs were assigned to these indirect perceived increases in parks and other recreational facilities use.

The results of the City staff discussions regarding marginal costs of providing services to Costco suggested a minimal increase in service costs, if any, directly tied to the new Costco store. However, in

an effort to present a conservative analysis, Exhibit 9 includes the average cost approach to City services, to provide maximum cost estimates associated with providing services to the Project.

- **Exhibit 9, City of Ukiah General Fund Average Cost Expenditures, FY 2011-2012 Adopted Budget, Fiscal Impact Factors.** In this exhibit the City of Ukiah's General Fund Expenditures are expressed as average costs relative to key populations, e.g., the City's service population or the City's resident population. This includes the four major departments that collectively include the provision of all City services. These are General Government, Public Works, Community Services, and Public Safety. In addition, discussions with Ukiah's Public Works Director suggested the addition of another category, Capital Maintenance. According to the Public Works Director Ukiah has identified a need for \$1.6 million to provide for street system maintenance designed to keep the City's streets at a certain rating level. This expenditure estimate is not included in the City's budget. Therefore, it was suggested that this line item amount be added to the budget calculations, and then apportioned across the relevant City service population. Accordingly, this line item is included in Exhibit 9, with the anticipated costs allocated across the City's service population.

For the five departments/expenditure categories assumed to serve the City's service population, the average service costs are \$755.89 per service population, which breaks down into \$755.89 per resident and \$377.94 per employee.

Exhibit 9 is structured to facilitate analysis of the City's expenditures on a fixed and variable cost basis. Using this approach, some of the City's departmental expenditures are assumed to be fixed regardless of the size of the population served. The balance of the expenditures is then deemed to be variable, i.e., to change with the size of the population served. While Exhibit 9 is structured to accommodate a fixed versus variable analysis, the analysis conservatively assumes that all costs are variable. This means all of the departmental expenditures are spread across the City's service population. As stated, this is a conservative approach, and serves to provide a maximum estimate of average service costs associated with development of the proposed Ukiah Costco store.

IV. FISCAL IMPACT FINDINGS

NET FISCAL IMPACT ANALYSIS OF UKIAH COSTCO PROJECT

The results of the Ukiah Costco Project fiscal impact analysis are presented in Exhibit 10 (which is a duplicate of the earlier referenced Exhibit 1). These findings present the estimated annual revenues and expenditures accruing to the City of Ukiah's General Fund at build out of the Project, assuming two scenarios: 1) only a portion of the Costco store's sales and associated revenue will comprise net new sales to the City of Ukiah pursuant to worst case assumptions regarding diverted sales, comprising the minimum net fiscal impact scenario; and 2) all Project sales tax and other revenues are net new to the City of Ukiah, comprising the maximum net fiscal impact scenario. Finally, the Measure S retail sales tax revenues dedicated to Public Safety are also separately estimated.

Minimum Net Fiscal Impact Scenario

Summary of Revenue. The minimum net fiscal impact findings indicate that on an annual basis, the Project is estimated to generate \$471,194 in gross revenue to the City of Ukiah General Fund. The largest General Fund revenue component is incremental retail sales tax estimated at \$396,103 per year, even with the worst case assumption that all sales estimated to be diverted from existing retailers are Ukiah retailers. All other General Fund revenues are much lower, with property taxes comprising the next largest General Fund revenue source at \$25,285, followed by business license fees at \$22,274, property tax in lieu of VLF revenues at \$21,521, and yet other lesser revenues.

There are likely to be yet additional General Fund revenues generated by the Project, but the most substantial revenue sources are reflected in the \$471,194 estimate. In addition, the Project's City of Ukiah Measure S sales tax proceeds dedicated to a special Public Safety Fund are estimated at \$198,051.

Summary of Expenditures. The average cost General Fund expenditures estimated to be attributable to the Project total \$57,447 annually. This reflects the average City of Ukiah service costs for General Government, Public Works, Community Services, and Public Safety and an allocation for Capital Maintenance. These are the estimated average service costs for the Project's 152 full-time equivalent employees.

Net Fiscal Impact Summary. The net result of the Project's fiscal impact at stabilized operations for the minimum net fiscal impact scenario, assuming on a worst case basis that all diverted sales are diverted from Ukiah retailers, is a projected \$413,747 annual contribution to the City of Ukiah's General Fund. This represents an annual contribution net of estimated City costs to service the Project equivalent to approximately 2.8% of the City's General Fund expenditures.

Factoring in the Measure S sales tax proceeds, which are dedicated to a special Public Safety Fund, boosts the Project's total net revenue under the minimum net fiscal impact scenario to the City of Ukiah to \$611,798, or approximately 4.2% of the City's General Fund expenditures.

Maximum Net Fiscal Impact Scenario

Summary of Revenue. The maximum net fiscal impact findings indicate that on an annual basis, the Project is estimated to generate \$709,149 in gross revenue to the City of Ukiah General Fund. The largest General Fund revenue component is incremental retail sales tax estimated at \$617,711 per year, which corresponds to retail sales taxes on all taxable Costco sales. This corresponds with the store's gross sales, irrespective of any potential impacts on existing Ukiah retailers. All other General Fund revenues are much lower, with business license fees totaling \$38,620 comprising the next largest General Fund revenue source, followed by property taxes at \$25,285, property tax in lieu of VLF revenues at \$21,521, and yet other lesser revenues.

There are likely to be yet additional General Fund revenues generated by the Project, but the most substantial revenue sources are reflected in the \$709,149 estimate. In addition, the Project's City of Ukiah Measure S sales tax proceeds dedicated to a special Public Safety Fund based on total taxable sales are estimated at \$308,856.

Summary of Expenditures. The average cost General Fund expenditures estimated to be attributable to the Project under the maximum net fiscal impact scenario are the same as the minimum net fiscal impact scenario, or \$57,447 annually.

Net Fiscal Impact Summary. The net result of the Project's gross fiscal impact at stabilized operations for the maximum net fiscal impact scenario is a projected \$651,702 annual contribution to the City of Ukiah's General Fund. This represents an annual contribution net of estimated City costs to service the Project equivalent to an estimated 4.5% of the City's General Fund expenditures.

Factoring in the Measure S sales tax proceeds, which are dedicated to a special Public Safety Fund, boosts the Project's total net revenue under the maximum net fiscal impact scenario to the City of Ukiah to \$960,557, or approximately 6.6% of the City's General Fund expenditures.

FISCAL IMPACT LIMITATIONS

The foregoing fiscal impact analysis is intended to give a general sense of the net fiscal impact of the Ukiah Costco Project. The figures are not precise estimates and changes will occur if the revenue and expenditure factors or other assumptions are developed with more precision. Nonetheless, the findings suggest a strong likelihood that the Project will result in a significant net positive fiscal impact to the City's General Fund. However, some limitations to the analysis, listed below, may affect the degree of the Project's estimated net benefit and change the net fiscal impact balance.

General Limitations

- The analysis is benchmarked to estimated stabilized operations. The net impacts during the ramp up period to stabilized operations will vary from the stabilized operations estimate. It may take several years before the full stabilized impacts transpire.
- The analysis may not be inclusive of all revenue and cost estimates. Major categories associated with ongoing revenues and costs are included, but there may be other less significant categories excluded from the analysis.

One-time Revenues and Appropriations

- The fiscal impact analysis does not include one-time fees that may be assessed by the City of Ukiah. These fees are typically assessed on a cost recovery basis and are thus excluded from the analysis. Other potential fees, such as impact fees, are also excluded as they too are designed to provide a nexus with the services provided.
- Depending upon how construction contracts are structured, there may be the potential for the City of Ukiah to benefit from construction-related sales and use taxes associated with the construction effort. These revenues are excluded from the analysis but could comprise a strong source of one-time revenues.
- Another one-time revenue that could benefit the City of Ukiah during the construction period includes retail sales tax revenues resulting from construction worker spending in Ukiah.

Ongoing Revenue and Appropriation Factors

- The analysis does not include any increase in valuation, such that would occur with the maximum 2% allowable increase pursuant to Proposition 13 or that would occur based upon increased valuation upon sale.
- The analysis does not take into account long-term service cost inflation, which may or may not be greater than the estimated rate of inflation.
- The Ukiah Costco Project may trigger the need for additional services not accounted for in this analysis. The costs associated with these services could be meaningful, and could reduce the estimated net positive annual impacts. The likelihood of such additional costs being high, however, is deemed to be low.

In summary, the Ukiah Costco Project net fiscal impact findings estimated above may change as more information and factors are considered. The results, however, suggest a very strong likelihood that the Ukiah Costco Project will result in a significant net positive fiscal impact to the City's General Fund and the Public Safety Fund.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although ALH Urban & Regional Economics believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

APPENDIX A: EXHIBITS

Exhibit 2
Ukiah Costco
Project Description, Employment, and Service Population Estimates

Land Use	Planned Sq. Ft.	Total Employment (1)	Employment Distribution by Type of Employment (2)		Estimated Stabilized FTE Employment (4)	Service Population (5)
			Full-time (3)	Part-time (3)		
Warehouse	148,000	175 - 200 average 187.5	50.0%	50.0%	152	76
Gas Station	20 pumps (6)				inc. above	inc. above
Total					152	76

Sources: "Project Description, Ukiah Costco New Warehouse and Fuel Station, Ukiah, California," January 24, 2011, David Babcock & Associates; Environmental Science Associates; Costco Wholesale Corporation; and ALH Urban & Regional Economics.

Notes:

(1) Employment estimates provided in the Costco New Warehouse and Fuel Station project description. The range provided is 175 - 200. For analytical purposes the average of 187.50 is used.

(2) Costco indicates employment is anticipated to comprise 1/2 part-time employees and 1/2 full-time employees.

(3) Costco indicates typical part-time employment at Costco comprises 25 hours weekly.

(4) The calculation of FTE employment is as follows: $FTE\ Employment = (187.5 * .5) + ((187.5 * .5) * (25/40))$ based upon the assumptions regarding average total employment, percent full-time and part-time, and the average hours worked by a part-time employee. Figure is rounded to the nearest whole number.

(5) All employees are assumed to be equivalent to one-half a resident for City average service cost purposes. This is a standard fiscal impact analysis assumptions. Figure is rounded to the nearest whole number.

(6) The store is anticipated to open with 16 pumps, expanding to 20 pumps upon stabilization. Projected gas sales are anticipated to remain constant, with the sales achieved with 16 pumps being redistributed among 20 pumps following the expansion.

Exhibit 3
Ukiah Costco
City of Ukiah Demographic, Employment, and Tax Characteristics

Data Point	Value	Measurement
Population and Employment Base, 2012 estimates		
City of Ukiah Population (1)	15,960	annual
City of Ukiah Employment (2)	6,520	annual
Estimated Service Population (3)	19,220	annual
City of Ukiah Tax Rates and Select Tax Revenues		
City of Ukiah General Fund Property Tax Rate (4)	9.38%	of 1.0% of property value
Sales Tax Rate (5)		
Basic Sales Tax Rate, General Fund	0.75%	of taxable sales amount
Sales Tax Rate, Returned via Triple Flip	0.25%	of taxable sales amount
Total Sales Tax Rate	1.00%	of taxable sales amount
Measure S Sales Tax - Public Safety (6)	0.5%	of taxable sales amount
Vehicle in Lieu of Property Tax Revenues (7)		
FY 2011-2012 Adopted	\$1,214,585	annual
Assessed City of Ukiah Valuation, FY 2011/12 (8)		
Secured Property	\$1,169,395,369	
Unsecured Property	\$80,975,556	
Business License Fee (9)		
General Merchandise Retail	\$0.35	annual per \$1,000 in gross receipts
General Merchandise Wholesale	\$0.30	annual per \$1,000 in gross receipts

Sources: State of California Department of Finance, Demographic Research Unit, State Census Data Center, "Table 2:E-5 City/County Population and Housing Estimates," 1/1/2012; State of California Employment Development Department, Labor Market Information, LMI by Geography, Cities and Census Designated Places, current month, May 2012; Mendocino County Auditor-Controller; State of California Board of Equalization, "2009-2010 Annual Report - Statistical Appendix Table," Table 23A; "City of Ukiah 2011-2012 Adopted Budget," page ES-19; Mendocino County Auditor-Controller, "Assessed Valuations by District 2011-12"; City of Ukiah Application for Business License; and ALH Urban & Regional Economics.

See notes on next page

Exhibit 3
Ukiah Costco
City of Ukiah Demographic, Employment, and Tax Characteristics

Notes:

- (1) Estimated City of Ukiah population for January 1, 2012 per the State of California Department of Finance.
- (2) The State of California Employment Development Department reports May 2012 employment in Ukiah as 6,520. This is the most recent data point available as of the preparation date of this analysis and appears consistent with annual average City employment trends.
- (3) The service population of 19,220 is equivalent to the residential population plus 1/2 the employment base (i.e., $15,960 + (0.5 * 6,520)$). This is a standard fiscal impact assumption.
- (4) The Costco property is located in a Redevelopment Project Area. However, with the recent demise of redevelopment in the State of California it is assumed that by the time the Project is developed there will no longer be property tax increment revenues and the City of Ukiah General Fund will receive its default share of property tax revenues absent redevelopment. ALH Urban & Regional Economics reached out to the Mendocino County Auditor-Controller to obtain the City of Ukiah's property tax rate for a representative property not in the City's Redevelopment Project Area. Based on information provided by the Auditor-Controller it appears that the City of Ukiah's share of the base County property tax is 9.38%. Therefore, this is the figure assumed in the
- (5) The City of Ukiah's effective sales tax rate is 1.0%. This comprises a basic rate of 0.75% with an additional 0.25% generated pursuant to the triple flip, i.e., sales taxes diverted temporarily by the State of California but returned via other fiscal means, i.e., through property tax payments. The State of California Board of Equalization reports Ukiah's sales tax rate as 1.0%.
- (6) The City of Ukiah has an additional 0.5% sales tax rate. This sales tax for Measure S is due to expire in September 2015 unless the electorate votes to extend the tax. The sales tax proceeds are dedicated to public safety expenses.
- (7) See "City of Ukiah 2011-2012 Adopted Budget" page ES-19.
- (8) Provided by the Mendocino County Auditor. See <http://www.co.mendocino.ca.us/auditor/valuations.htm>.
- (9) Reflects annual fee for businesses licensed in the City of Ukiah, not one-time administrative fees.

Exhibit 4**Ukiah Costco****Incremental Property Valuation and Annual Property Tax****Property Valuation Pursuant to the Cost Approach (1)****City of Ukiah, 2012 Dollars**

Item	Amount
Ukiah Costco Project Property Valuation	
Land Acquisition (2)	\$2,337,212
Building and Gas Station Construction Costs (3)	\$11,470,936
Equipment (3)	\$4,600,000
On and off-site Improvement Costs (3)	\$5,536,083
Select Soft Costs (3)	\$2,698,600
Financing Fees and Interest (3)	\$300,000
Total	\$26,942,831

Existing Property Tax Revenues (4) \$0

Property Tax (5)

Taxing Entity	Tax Rate/ Allocation Factor	Amount (6)
Ad Valorem (Mendocino County)	0.2413%	\$65,001
Emerg Svcs CDF	0.0017%	\$455
Road	0.0275%	\$7,410
Mendocino County Animal Control	0.0019%	\$520
Library	0.0133%	\$3,575
Promotion	0.0017%	\$455
City of Ukiah	0.0938%	\$25,285
Educational Revenue Augmentation Funds (ERAF)	0.1578%	\$42,510
MCFC & WCID (Water Agency)	0.0012%	\$325
Russian River Cemetery	0.0075%	\$2,015
MCRRFC & WCID	0.0014%	\$390
Mendocino County Office of Education	0.0415%	\$11,180
Mendocino Community College	0.0647%	\$17,420
Ukiah Unified School District	0.3448%	\$92,886
Lost Mills (7)	0.0000%	\$2
Total	1.0000%	\$269,428

Sources: Costco Wholesale Corporation; RealQuest; City of Ukiah Special Projects Administrator; Mendocino County Auditor-Controller; and ALH Urban & Regional Economics.

Notes:

(1) The County Assessor will value the property for property tax purposes using three approaches to value: cost; income; and comparables. For the purpose of this analysis, ALH Economics prepared a cost approach based upon currently available information. The final value upon completion determined by the County Assessor will likely differ from this value. However, based upon information available at the present time, this value and approach are believed to present a reasonable proxy for analytical purposes.

(2) Appraised value of the land, i.e., \$3.50 per square foot. In Summer 2011 the Ukiah Redevelopment Agency transferred the property to the City of Ukiah. The analysis assumes the property will be acquired from the City for the appraised value.

(3) All construction-related costs were provided by Costco.

(4) The property is currently owned by the City of Ukiah Successor Agency for Dissolved Ukiah Redevelopment Agency. Accordingly, the property is tax exempt and no property tax revenues are being generated.

(5) See Exhibit 3 for the City of Ukiah share of property taxes, estimated at 9.38% of the basic 1.0% collected by Mendocino County. The tax for the City of Ukiah is both gross and incremental taxes since there are no current property taxes being generated from the property in accordance with its public ownership. The percentage shares of property taxes distributed to taxing entities was provided by the Mendocino County Auditor-Controller for a representative tax rate area in the City of Ukiah. The actual distribution for the proposed Costco property may vary from these percentages, but the variances are not likely to be substantial.

(6) Figures rounded to the nearest \$10.

(7) Lost Mills receives a very nominal percentage share of property taxes (i.e., .000008%).

**Exhibit 5
Ukiah Costco
Property Tax in Lieu of VLF Estimates
Project Stabilization
Net New or Incremental Valuation Attributable to Ukiah Costco Development
City of Ukiah, FY 2011-12 Dollars**

Category	Value
Assessed Value Change	
City of Ukiah Secured Property Assessed Valuation (1)	\$1,169,395,369
City of Ukiah Unsecured Property Assessed Valuation (1)	\$80,975,556
Total	<u>\$1,250,370,925</u>
Property Valuation Increment Attributable to Ukiah Costco Development (2)	\$26,942,831
Existing Property Valuation (3)	<u>(\$4,787,945)</u>
Net Increment in Property Valuation	\$22,154,885
 Total Projected Property Valuation	 \$1,272,525,810
 Percent Increase in City of Ukiah Property Valuation Attributable to Ukiah Costco Development	 1.77%
VLF in Lieu Revenue	
FY 2011-2012 adopted (1)	\$1,214,585
City Increase (Annual)	
Percent Assessed Value	1.77%
VLF In Lieu Revenue Attributable to Ukiah Costco Development (4)	\$21,521

Sources: Realquest; City of Ukiah; and ALH Urban & Regional Economics.

Notes:

(1) See Exhibit 3.

(2) See Exhibit 4.

(3) While the property is being sold to Costco at an appraised value of \$3.50 per square foot, parcel-specific Assessor's data available through Realquest indicate the 12 parcels that comprise all or part of the property being sold to Costco were valued at \$5,571,862 for tax year 2011. The value of the parcels is currently lower than this \$5.6 million figure given the City's purchase of the parcels for less. However, the assessment roll does not appear to have been updated to reflect this new value, thus the assessed valuation on record and included in the City's total assessed valuation includes the higher \$5.6 million figure. The 12 parcels total 17.85 acres, or 777,546 square feet. Pursuant to the 2011 assessment year value the assessed value is therefore equal to \$7.17 per square foot. This per square foot value is applied to the 15.33 acres planned for the project site to derive a current assessed valuation of \$4,787,945.

(4) This is equivalent to the City's FY 2011-2012 adopted VLF In Lieu Revenue multiplied by the Project's estimated 1.77% increase in the City's assessed valuation.

Exhibit 6

Ukiah Costco

Estimated Costco Project Taxable Retail Sales - Maximum and Minimum (1)

City of Ukiah, FY 2011-12 Dollars

Retail Category	Estimated Costco Sales			Maximum Market Area Sales Impacts (5) [D]	Net Taxable and Non-Taxable Retail Sales (6) [E = B + D]	Minimum Net Taxable Retail Sales (7) [F = E * % taxable]
	Total (2) [A]	Sales to Retail Customers (3) [B = A * 85%]	Maximum Taxable (4) [C]			
Motor Vehicle and Parts Dealers	\$3,867,732	\$3,287,573	\$3,287,573	\$0	\$3,287,573	\$3,287,573
Home Furnishings and Appliance Stores	\$10,181,237	\$8,654,051	\$8,654,051	(\$2,000,990)	\$6,653,061	\$6,653,061
Building Materials and Garden Equip	\$1,933,866	\$1,643,786	\$1,643,786	\$0	\$1,643,786	\$1,643,786
Food and Beverage Stores	\$56,309,633	\$47,863,188	\$14,358,956	(\$31,408,782)	\$16,454,406	\$4,936,322
Gasoline Stations (8)	\$13,616,693	\$13,616,693	\$13,616,693	(\$8,112,325)	\$5,504,368	\$5,504,368
Clothing and Clothing Accessories Stores	\$3,412,705	\$2,900,799	\$2,900,799	\$0	\$2,900,799	\$2,900,799
General Merchandise Stores	\$9,669,331	\$8,218,931	\$8,218,931	\$0	\$8,218,931	\$8,218,931
Food Services and Drinking Places	\$1,023,812	\$870,240	\$870,240	\$0	\$870,240	\$870,240
Other Retail Group	\$13,741,826	\$11,680,552	\$8,220,091	(\$5,182,895)	\$6,497,657	\$5,595,191
	\$113,756,834	\$98,735,813	\$61,771,121	(\$46,704,991)	\$52,030,822	\$39,610,272

Sources: "Costco Wholesale Warehouse Urban Decay Analysis," Prepared for Environmental Science Associates, Inc., Prepared by ALH Urban & Regional Economics, August, 2012; and ALH Urban & Regional Economics.

Notes:

(1) The purpose of this analysis is to estimate the Project's maximum taxable retail sales and minimum net new taxable sales to the City of Ukiah. The minimum estimate is achieved by treating the sales impacts as if they all occurred in Ukiah, which is not likely to occur given the wide geographic scope of the market area and the distribution of retailers throughout the market area.

(2) See Exhibit 2 in "Costco Wholesale Warehouse Urban Decay Analysis," August 2012. This comprises the Costco store's total estimated retail sales.

(3) Pursuant to the "Costco Wholesale Warehouse Urban Decay Analysis," August 2012, it is assumed that 15% of Costco sales are non-taxable wholesale sales. See the exception for gasoline sales cited in footnote 8.

(4) These figures comprise the estimated taxable component of Costco's retail sales to consumers. As cited in "Costco Wholesale Warehouse Urban Decay Analysis," August 2012, the following percentage of retail sales are assumed to be taxable: food and beverage stores, 30%; and other retail, 33% of 20.73% (i.e., the estimated share of sales that are taxable drug store sales). In the urban decay study a portion of general merchandise retailer sales are also assumed to be non-taxable because a portion of sales comprise food sales. However, since the Costco sales were separately parsed into food sales for analytical purposes, the analysis assumes that the portion of Costco sales that compete with general merchandise stores does not include an allocation for non-taxable food products. See Exhibit B-1 in the "Costco Wholesale Warehouse Urban Decay Analysis," August 2012 for the resulting taxable sales estimates.

(5) See Exhibit 17 in "Costco Wholesale Warehouse Urban Decay Analysis," August 2012. This comprises the total estimated retail sales impacts of the planned Costco store, regardless of the location of the retailer experiencing the impact. To present the most conservative analysis possible, these are the impacts figures not inclusive of demand generated by new growth.

(6) The figures in this column comprise the minimum net new retail sales to the market area pursuant to the maximum market area impacts presented in the preceding column. These sales are both taxable and nontaxable, generated by retail consumers. To ensure a highly conservative fiscal impact analysis, the analysis assumes that all of these sales are diverted from existing Ukiah retailers. This is a highly unlikely occurrence given the size of the market area and geographic range of anticipated Costco retail shoppers. However, this assumption is included to provide a minimum estimate of the Project's net fiscal benefit to the City of Ukiah's General Fund. See net fiscal impact analysis in Exhibit 10.

(7) See footnote (3) for total to taxable sales adjustments. These adjustments are applied to the net taxable and non-taxable retail sales in column D.

(8) For the purpose of analysis, all gasoline sales are assumed to be taxable, with no portion of wholesale purchases allocated to gasoline. This figure corresponds to the portion of gas sales estimated to be the taxable basis, but excluding all applicable state, federal, and local taxes (which are typically included in the price at the pump).

Exhibit 7

Ukiah Costco

Select City of Ukiah General Fund Revenues - Business License Fees and Sales Taxes

City of Ukiah, FY 2011-12 Dollars

Business License Fees

<u>Retail Component</u>	<u>Annual Sales</u>	<u>Fee Per \$1,000 Gross Receipts (1)</u>	<u>Annual Business License Fee</u>
Costco, General Merchandise Wholesale	\$110,344,129 (2)	\$0.35	\$38,620
Maximum Local Sales Impact (3)	(\$46,704,991) (4)	\$0.35	(\$16,347)
Minimum Net Increment			\$22,274

Retail Sales Tax

<u>Retail Sales, Inflation, and Tax Information</u>	<u>Parameters and Annual Revenue</u>
City of Ukiah General Fund Sales Tax Rate (5)	0.75%
Triple Flip Sales Tax Rate Equivalent (5)	0.25%
Effective Sales Tax Rate (5)	1.00%
Measure S Sales Tax - Public Safety (5)	0.5%
Minimum Sales Tax Estimate	
Minimum Net Taxable Retail Sales (6)	\$39,610,272
Minimum Net Retail Sales Tax	\$396,103
Additional Measure S Sales Tax Revenues	\$198,051
Maximum Sales Tax Estimate	
Maximum Net Taxable Retail Sales (7)	\$61,771,121
Maximum Net Retail Sales Tax	\$617,711
Additional Measure S Sales Tax Revenues	\$308,856

Sources: "Costco Wholesale Warehouse Urban Decay Analysis," Prepared for Environmental Science Associates, Inc., Prepared by ALH Urban & Regional Economics, August, 2012; and ALH Urban & Regional Economics.

Notes:

- (1) See Exhibit 3 for the Business License Fee Schedule. The analysis conservatively assumes that on a worst case basis all diverted retail sales will comprise a loss to the Ukiah retail sales base and thus reduce the business license fee revenues.
- (2) See Exhibit 2 in the "Costco Wholesale Warehouse Urban Decay Analysis," August 2012, for the stabilized sales estimate of \$120.0 million. For the purpose of the business license fee determination, the fee per \$1,000 gross receipts applies to all sales excepting alcohol and tobacco, since these are already separately taxed at the state level. Assuming that Costco's alcohol sales comprise 3% of total sales, the amount of sales subject to the gross receipts tax would be \$116.4
- (3) This reflects the estimated retail sales impact of the Costco store. This impact will be spread throughout the entire market area defined for the store in the "Costco Wholesale Warehouse Urban Decay Analysis," August 2012, which includes all of Mendocino County and much of Lake County. In an effort to be highly conservative and not overstate the potential net business license fee that will accrue to the City of Ukiah, this analysis nets out 100% of the estimated sales diversion to result in a minimum net increment in annual business license fees.
- (4) See Exhibit 6.
- (5) See Exhibit 3.
- (6) This figure comprises the minimum net increment of taxable sales generated by the Costco store. As with the business license fee analysis, this analysis very conservatively assumes that all of the diverted sales estimated in the "Costco Wholesale Warehouse Urban Decay Analysis," August 2012, will occur to the detriment of Ukiah retailers in order to result in the most conservative incremental retail sales tax estimate possible. See Exhibit 6 for the cited figure.
- (7) See Exhibit 3. This figure corresponds with the estimated taxable sales of the Costco store irrespective of any sales diversions from existing Ukiah retailers.

Exhibit 8**Ukiah Costco****Select City of Ukiah General Fund Revenues - Franchise Tax and Fees, Fines & Forfeitures****City of Ukiah, FY 2011-12 Dollars**

Franchise Tax**Franchise Tax Revenues and Population Basis Data****Parameters and Annual Revenue**

City of Ukiah FY 2011/12 Franchise Tax Revenues (1)	\$1,467,619
City Service Population (2)	19,220
Franchise Tax Revenues Per Service Population (3)	\$76.36
Project Service Population (4)	76
Project Franchise Tax Revenues (5)	\$5,803

Fees, Fines & Forfeitures**Fees, Fines & Forfeitures Revenues and Population Basis Data****Parameters and Annual Revenue**

City of Ukiah FY 2011/12 Fee, Fines & Forfeitures (1)	\$52,662
City Service Population (2)	19,220
Fees, Fines & Forfeitures Revenues Per Service Population (6)	\$2.74
Project Service Population (4)	76
Project Fees, Fines & Forfeitures Tax Revenues (7)	\$208

Sources: "City of Ukiah Adopted Budget 2011-2012, page ES-18;" and ALH Urban & Regional Economics.

Notes:

(1) These revenues figures are from the City of Ukiah budget for FY 2011-2012. While not generated on a per employee basis, it is a typical fiscal impact analysis convention to estimate these revenues on a per service population basis as a revenue generation proxy. The figures exclude T.V. Cable Franchise Fees as these are typically more residential than business-related.

(2) See Exhibit 3.

(3) Franchise tax revenues calculated on a per service population basis, excluding T.V. Cable Franchise Fees.

(4) See Exhibit 2.

(5) Calculated by multiplying the Franchise Tax Revenues Per Service Population by the estimated Project service population.

(6) Fees, Fines & Forfeitures tax revenues calculated on a per service population basis.

(7) Calculated by multiplying the Fees, Fines & Forfeitures Revenues Per Service Population by the estimated Project service population.

Exhibit 9
Ukiah Costco
City of Ukiah General Fund Average Cost Expenditures
FY 2011-2012 Adopted Budget
Fiscal Impact Factors City of Ukiah

<u>City Department</u>	<u>FY Budget</u>	<u>Percent Fixed (1)</u>	<u>Allocable Expenditures (2)</u>	<u>Population Factor (3)</u>	<u>Expenditure per Service Population (4)</u>	<u>Expenditure per Resident (5)</u>	<u>Expenditure per Employee (6)</u>
General Government	\$2,067,296	0%	\$2,067,296	Service Population	\$107.56	\$107.56	\$53.78
Public Works	\$930,891	0%	\$930,891	Service Population	\$48.43	\$48.43	\$24.22
Community Services	\$1,732,504	0%	\$1,732,504	Service Population	\$90.14	\$90.14	\$45.07
Public Safety	\$8,197,456	0%	\$8,197,456	Service Population	\$426.51	\$426.51	\$213.25
Capital Maintenance (7)	\$1,600,000 (7)	0%	\$1,600,000	Service Population	\$83.25	\$83.25	\$41.62
Total	<u>\$14,528,147</u>	0%	<u>\$14,528,147</u>		<u>\$755.89</u>	<u>\$755.89</u>	<u>\$377.94</u>

Sources: "City of Ukiah Adopted Budget 2011-2012," pages ES-23 and ESD-24; City of Ukiah Public Works Director; and ALH Urban & Regional Economics.

Notes:

(1) Fiscal impact studies that examine municipal expenditures on an average cost basis, such as this analysis, often assume a portion of City expenditures are fixed and will not vary with a change in the population served. The resulting variable expenditures are then allocated across the relevant population served, which could include just residents, just employees, or the service population, which includes both residents and an allocation for employees. For the purpose of this analysis, all City expenditures are conservatively assumed to be variable. In this manner, the greatest possible expenditures will be allocated to the estimated service population generated by the Project for the categories anticipated to serve employees.

(2) Comprises the share of the General Fund expenditures assumed to be allocable to the population served, i.e., total expenditures less fixed expenditures. In this case, as all expenditures are assumed to be variable, the allocable expenditures are equal on a department by department basis to each department's budget.

(3) The analysis assumes all expenditures are spread across the resident and employment base i.e., the service population. This will most likely result in maximum service cost estimates since it is unlikely given the infill nature of the Project and traditional business hours that the City of Ukiah will need to increase its service capacity to sufficiently service the Project.

(4) Equal to allocable expenditures divided by the service population.

(5) The expenditure per resident is equal to the expenditure per service population.

(6) The expenditure per employee is equal to one half the expenditure per service population.

(7) This is not a General Fund budget item. However, the City of Ukiah estimates that pursuant to the City's Pavement Management Program, an annual expenditure of \$1.6 million is required to maintain City streets at the current level of maintenance. The City Public Works Director suggested this item should be annually allocated to the Costco project, as it is a cost relevant to the City's service population.

Exhibit 10
Ukiah Costco
Annual Net Fiscal Impact Analysis (1)
City of Ukiah General Fund and Public Safety Fund
FY 2011-12 Dollars

General Fund Revenues and Expenditures Categories	Net Fiscal Impact	
	Minimum (2)	Maximum (3)
Revenues (4)		
Property Taxes (5)	\$25,285	\$25,285
Property Tax in Lieu of VLF (6)	\$21,521	\$21,521
Business License Fees (7)	\$22,274	\$38,620
Retail Sales Taxes (8)	\$396,103	\$617,711
Franchise Fees (9)	\$5,803	\$5,803
Fines, Fees & Forfeitures (9)	\$208	\$208
Sub-total	\$471,194	\$709,149
Expenditures (10)		
General Government	\$8,175	\$8,175
Public Works	\$3,681	\$3,681
Community Services	\$6,851	\$6,851
Public Safety	\$32,414	\$32,414
Capital Maintenance	\$6,327	\$6,327
Sub-total	\$57,447	\$57,447
General Fund Net Impact		
All Revenues and Expenses (11)	\$413,747	\$651,702
Additional Measure S Sales Tax Revenues to to Public Safety Fund (12)	\$198,051	\$308,856
General Fund and Public Safety Fund Net Impact		
All Revenues and Expenses (13)	\$611,798	\$960,557

Source: ALH Urban & Regional Economics.

Notes:

- (1) Includes estimated General Fund revenues less estimated General Fund expenditures.
- (2) The minimum net fiscal impact corresponds with the maximum sales impact scenario presented in Exhibit 6. This scenario is highly conservative and assumes that all taxable sales diverted as a result of the Costco store occur in the City of Ukiah, thus reducing the City's taxable retail sales base. This is a highly conservative assumption because sales diversions will occur in other locations besides the City of Ukiah. Three revenue sources are varied for this analysis, including retail sales tax, business license fees (see variation in business fees in Exhibit 7), and Measure S sales tax.
- (3) The maximum net fiscal impact corresponds with the minimum sales impact scenario presented in Exhibit 6. This would comprise no taxable sales diversions from existing City of Ukiah retailers. This scenario corresponds to the net fiscal impact analysis of the Costco store absent consideration of any existing retailer impacts.
- (4) Includes the most substantial revenues anticipated to accrue to the City of Ukiah General Fund resulting from the Project's stabilized operations. However, there may be yet additional revenues flowing to the General Fund pursuant to the Project's operations.
- (5) See Exhibit 4.
- (6) See Exhibit 5.
- (7) See Exhibit 7.
- (8) See Exhibit 6 for the taxable retail sales and Exhibit 3 for the retail sales tax rate.
- (9) See Exhibit 8 for the per employee revenue figures and Exhibit 2 for the estimated number of Project employees.
- (10) The estimated service costs per employee were derived in Exhibit 9. These costs were multiplied by the estimated number of Project employees presented in Exhibit 2.
- (11) Comprises revenues less expenditures.
- (12) See Exhibit 6 for the taxable sales range and Exhibit 3 for the Measure S sales tax rate. As with the retail sales tax estimate, the taxable sales estimate varies pursuant to the estimated taxable sales diversions.
- (13) Includes the Measure S sales tax revenues.

APPENDIX B: TRIPLE FLIP AND CITY SHARE OF SALES TAX INFORMATION

ABOUT HdL

WHO WE ARE

Founded in 1983, HdL was established to maximize local government revenues by providing a variety of audits, analytical services and software products. We are dedicated to helping cities, counties and special districts.

Hinderliter, de Llamas & Associates developed California's first computerized sales tax management program and was responsible for securing legislation that allowed independent verification of state allocations. In 1990, **HdL Coren & Cone** was established to provide property and documentary transfer tax services. **HdL Software** was formed in 1996 to provide software systems for other city revenues and to link to other HdL revenue tracking systems.

HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 360 agencies in six states. Services include a variety of audits, analytical services and software products. Audit and consulting services are available for sales, use and transaction taxes, property taxes and business license fees. HdL also provides a variety of enterprise software processing tools for business licensing, code enforcement, animal control, building permits and tracking/billing of false alarms.

HdL'S HISTORY

HdL was founded in 1983 by Robert Hinderliter, a former finance director and city administrator of Commerce, California. Mr. Hinderliter developed California's first computerized sales tax management program and secured the legislation that allows independent verification of the State Board of Equalization's allocation of sales tax revenues to local governments. In 1987, Lloyd de Llamas purchased 50% of the corporate stock and the company became Hinderliter, de Llamas and Associates with a primary focus on sales tax analysis, allocation audits, and software.

In 1993, a separate corporation composed of partners Paula Cone, Martin Coren, Robert Hinderliter, and Lloyd de Llamas was created to provide property tax related services, including allocation audits, trends analysis, tax increment verification, tax allocation bond fiscal services, and related software products.

In 1996, HdL Software LLC was established with participants Nancy Hicks, Robert Hinderliter, and Lloyd de Llamas in order to provide easy-to-use, integrated software applications for the processing and tracking of revenue related functions including business licenses, building/plan permits, animal licenses, false alarm billing and code enforcement violations.

The three affiliates operate as a single, coordinated unit providing some 360 agencies with a variety of integrated services and software products.

TRIPLE FLIP INFORMATION

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act, which authorized the issuance of up to \$15 billion in bonds to close the State's budget deficit. \$10.9 billion of these bonds were issued in 2004 and the remainder in 2008.

To guarantee bond repayment, a dedicated revenue source was required. The revenue source provided for under the California Economic Recovery Bond Act is 1/4 of the sales and use taxes levied for local governments under the Bradley-Burns Uniform Sales Tax law. The bonds are repaid from the revenue received through the shift of the local portion of sales and use taxes plus transfers from the Budget Stabilization Account (BSA) which is a special reserve established in the State's general fund approved by Proposition 58.

The confiscated local sales tax is reimbursed through a series of revenue swapping procedures. These exchanges are referred to as the "triple flip". The triple flip will continue until the bonds are retired. As of June 2009, the Department of Finance estimates that to be Spring 2016.

HOW THE TRIPLE FLIP WORKS:

Flip 1 0.25 of the one percent local sales and use taxes are shifted to the State to guarantee the bonds.

Flip 2 Revenue lost through the shift is backfilled to local agencies with property tax revenue from the County Education Revenue Augmentation Fund (ERAF).

Flip 3 Any shortfall in County ERAF monies needed to meet the minimum funding requirement for schools is backfilled from the State general fund.

No later than September 1st of each year, the State Department of Finance is required to send a notification to each County Auditor specifying the amount of the triple flip reimbursement (backfill payment) due to each jurisdiction in the county for the coming fiscal year. Reimbursements are based upon the estimated sales and use tax revenues allocated to the jurisdiction in the prior fiscal year, plus an adjustment based upon projected statewide growth or decline.

The triple flip reimbursements (backfill payments) are disbursed from this Fund in the amount set by the Department of Finance. Local jurisdictions receive disbursements from the Fund in two installments, 50% prior to the end of January, and 50% prior to the end of May. Some Auditors send the checks earlier where circumstances allow.

Given that the backfill payments are based on estimates, there is a "true-up" adjustment each year. The "true-up" adjustment is added to or deducted from the following year's backfill payment. Some counties apply 100% of the "true-up" amount to the January backfill payment and some counties apply 50% of the

“true-up” payment to the January payment and 50% to the May payment.

Triple Flip Reports for 2012-13 By County

[\(http://www.ca.gov/\)](http://www.ca.gov/)[\(/index.htm\)](#)

California State Board of Equalization

Annual Report – Statistical Appendix Tables

Table 23A – Local Sales and Use Tax Rates Imposed by California Cities

July 1, 2010 (Current)

→ [PDF \(pdf/2010/table23a_10.pdf\)](#) | [Excel \(pdf/2010/table23a_10.xls\)](#)

July 1, 2009

→ [PDF \(pdf/2009/table23a_09.pdf\)](#) | [Excel \(pdf/2009/table23a_09.xls\)](#)

July 1, 2008

→ [PDF \(pdf/2008/table23a_08.pdf\)](#) | [Word \(pdf/2008/table23_08.doc\)](#) | [Excel \(pdf/2008/table23a_08.xls\)](#)

July 1, 2007

→ [PDF \(pdf/2007/table23_07.pdf\)](#) | [Word \(pdf/2007/table23_07.doc\)](#) | [Excel \(pdf/2007/table23ab_07.xls\)](#)

July 1, 2006

→ [PDF \(pdf/2006/table23a_06.pdf\)](#) | [Word \(pdf/2006/table23a_06.doc\)](#)

July 1, 2005

→ [PDF \(pdf/2005/table23_05.pdf\)](#) | [Word \(pdf/2005/table23_05.doc\)](#)

July 1, 2004

→ [PDF \(pdf/2004/table23_04.pdf\)](#) | [Word \(pdf/2004/table23_04.doc\)](#)

July 1, 2003

→ [PDF \(pdf/2003/table23_03.pdf\)](#) | [Word \(pdf/2003/table23a_03.doc\)](#)

July 1, 2002

→ [PDF \(pdf/2002/table23_02.pdf\)](#) | [Word \(pdf/2002/table23_02.doc\)](#)

July 1, 2001

→ [PDF \(pdf/2001/table23_01.pdf\)](#) | [Word \(pdf/2001/table23_01.doc\)](#)

July 1, 2000

Sales and Use Taxes

TABLE 23A—LOCAL SALES AND USE TAX RATES IMPOSED BY CALIFORNIA CITIES ON JULY 1, 2010

County	City rate ^a	Cities	County	City rate ^a	Cities
1	2	3	1	2	3
Alameda	1.00	Dublin/Livermore/San Leandro	Napa	1.00	All cities
	.95	All other cities	Nevada	1.00	All cities
Alpine	—	No incorporated cities	Orange	1.00	All cities
Amador	1.00	All cities	Placer	1.00	All cities
Butte .....	.95	Chico	Plumas .....	.95	Portola
	1.00	All other cities	Riverside	1.00	All cities
Calaveras .....	.95	Angels Camp	Sacramento	1.00	All cities
Colusa	1.00	All cities	San Benito	1.00	All cities
Contra Costa	1.00	Oakley	San Bernardino	1.00	All cities
	.975	All other cities	San Diego	1.00	All cities
Del Norte	1.00	Crescent City	San Francisco	1.00	All cities
El Dorado	1.00	All cities	San Joaquin	1.00	All cities
Fresno .....	.9472	Fresno	San Luis Obispo	1.00	All cities
	.95	Clovis/Coalinga/Firebaugh/Fowler/ Kerman/ Kingsburg/ Reedley/Sanger/Selma	San Mateo .....	.95	All cities
	.985	Mendota	Santa Barbara .....	.50	Goleta
	1.00	All other cities		1.00	All other cities
Glenn	1.00	All cities	Santa Clara	1.00	All cities
Humboldt	1.00	All cities	Santa Cruz	1.00	All cities
Imperial	1.00	All cities	Shasta	1.00	All cities
Inyo	1.00	Bishop	Sierra .....	.95	Loyalton
Kern	1.00	All cities	Siskiyou	1.00	All cities
Kings .....	.95	Hanford	Solano	1.00	All cities
	.98	All other cities	Sonoma	1.00	Windsor
Lake	1.00	All cities		.975	All other cities
Lassen .....	.95	Susanville	Stanislaus .....	.95	Ceres/Modesto/Oakdale/Turlock
Los Angeles	1.00	All cities		.995	Patterson/Riverbank
Madera .....	.92	Chowchilla		1.00	All other cities
	.94	Madera	Sutter	1.00	All cities
Marin	1.00	All cities	Tehama .....	.90	Corning/Red Bluff
Mariposa	—	No incorporated cities		1.00	Tehama
Mendocino	1.00	All cities	Trinity	—	No incorporated cities
Merced .....	.925	Merced	Tulare .....	.95	All cities
	.95	Los Banos	Tuolumne .....	.87	Sonora
	1.00	All other cities	Ventura	1.00	Ojai
Modoc	1.00	Alturas		.967	All other cities
Mono	1.00	Mammoth Lakes	Yolo	1.00	All cities
Monterey	1.00	All cities	Yuba	1.00	All cities

a. Each city's tax rate is credited against the county's one percent tax.