

Five Year Report Pursuant to Government Code Section 53083

On an Operating Covenant Agreement by and between
the City of Huntington Beach
and
Pinnacle Petroleum

Background

- Pinnacle Petroleum is a provider of gas and oil products for government and corporate fleets since 1995
- They are a large sales tax producer for the City
- They left the City for a neighboring jurisdiction
- In 2007 the City was able to woo them back with a Sales Tax Sharing Agreement
- In 2014, the agreement was revised
- Effective January 1, 2014, Assembly Bill 562 was codified

AB 562

- The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.
- The start and end dates and schedule for the economic development subsidy.
- A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or revenue lost to, the local agency as a result of the economic development subsidy.
- A statement of the public purposes for the economic development subsidy.
- Projected tax revenue to the local agency as a result of the economic development subsidy.
- Estimated number of jobs created by the economic development subsidy, broken down by fulltime, part-time, and temporary employees.

Key Points of City/ Pinnacle Agreement:

- Agreement term through April 20, 2024, with two five-year options (that must be mutually agreed to);
- The City has retained \$1,594,952 of the total sales tax revenues;
- The City has provided Pinnacle with \$2,962,054 in rebates from the sales tax revenues;
- The City is estimated to retain approximately \$1,761,600 in revenues through the remaining five years; and
- The City has retained between 19 and 22 full-time and part-time jobs.

Cost of Agreement:

Under the Agreement the City rebates 65% of the sales tax revenues generated by Pinnacle in any given fiscal year. Through the first five years of the Agreement, the City has incurred \$2,919,843.87 in costs, as shown below.

<u>Fiscal Year</u>	<u>Rebate</u>
2014 – 2015	\$715,218.31
2015 – 2016	\$452,131.40
2016 – 2017	\$434,519.21
2017 – 2018	\$663,682.23
2018 – 2019	\$654,292.72
Total	\$2,919,843.87

Consideration Received:

The Agreement has retained substantial sales tax revenues for the City. Thus far, Pinnacle has generated \$4,557,009.26 in sales tax revenues through the end of fiscal year 2018 – 2019. Absent the Agreement Pinnacle would have relocated to another City and those sales tax revenues would have been captured elsewhere. As shown below, the City has retained \$1,637,165.39 of the total sales tax revenues.

<u>Fiscal Year</u>	<u>Retained Tax</u>
2014 – 2015	\$366,464.69
2015 – 2016	\$260,593.07
2016 – 2017	\$300,428.81
2017 – 2018	\$357,367.36
2018 – 2019	\$352,311.46
Total	\$1,637,165.39

QUESTIONS