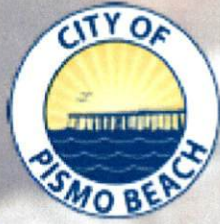


Q2 2016



City of Pismo Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Pismo Beach In Brief

Receipts for Pismo Beach's April through June sales were 3.6% higher than the same quarter of 2015. Actual sales increased 2.5% when accounting aberrations were factored out.

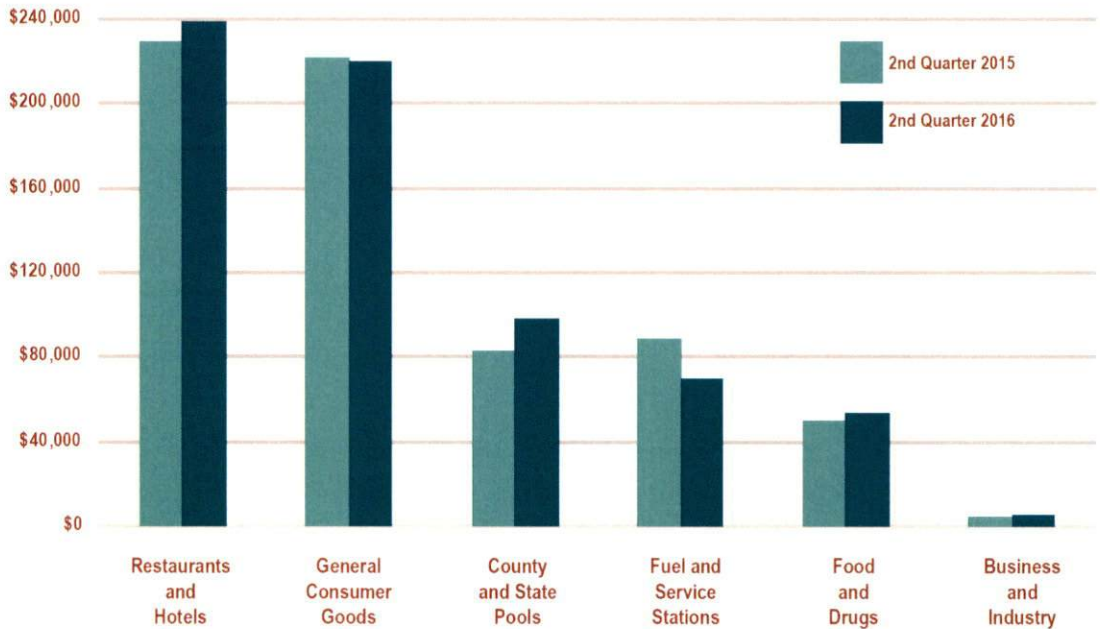
Postings were up from several industry groups, including food-drugs, business-industry and restaurants-hotels, although gains from the latter were overstated by accounting events including a delayed allocation that cut last year's receipts from hotels/liquor. Hotel results were actually down 11.1%. A new outlet and the correction of a prior reporting problem boosted proceeds from shoe stores.

Payment anomalies exaggerated the impact of lower fuel prices on service station returns and more than offset a modest increase in sales of women's apparel. Sales declined from some classifications of consumer goods, including family apparel.

In addition to the amounts discussed above, voter-approved Measure I generated \$377,964, which was 1.5% less than the year-ago quarter.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County declined 0.4% over the same period; the Central Coast region was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|-----------------------------|-------------------------|
| Arco AM PM | Miller 76 |
| Brads Restaurant | Nike |
| California Fresh Market | Orchard Supply Hardware |
| Calvin Klein | Oshkosh B Gosh |
| Chevron | Ralph Lauren |
| Cliffs at Shell Beach | Rite Aid |
| Coach | Ross |
| Cracked Crab | Sky River RV |
| CVS | Splash Cafe |
| Dolphin Bay Lido Restaurant | Spyglass Shell |
| F McLintocks Saloon | Ventana Grill |
| Giuseppes Cucina | Wooly's Oyster Loft |
| Hoagies | |

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

| | 2015-16 | 2016-17 |
|-------------------|-------------|-----------|
| Point-of-Sale | \$657,155 | \$668,544 |
| County Pool | 82,800 | 98,332 |
| State Pool | 551 | 234 |
| Gross Receipts | \$740,506 | \$767,110 |
| Less Triple Flip* | \$(185,127) | \$0 |
| Measure I | \$382,964 | \$377,221 |

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

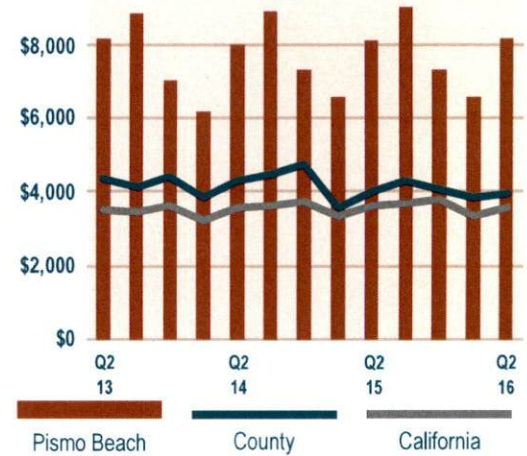
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

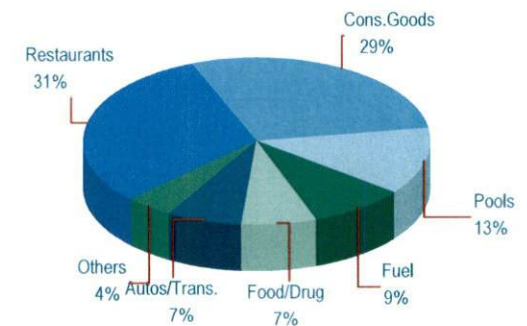
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pismo Beach This Quarter



PISMO BEACH TOP 15 BUSINESS TYPES

| Business Type | Pismo Beach | | County | HdL State |
|---|----------------|--------------|--------------|--------------|
| | Q2 '16 | Change | Change | Change |
| Casual Dining | 152,535 | 4.8% | 2.8% | 4.3% |
| Drug Stores | — | CONFIDENTIAL | 5.5% | 0.5% |
| Family Apparel | 101,758 | -4.6% | 2.5% | 4.4% |
| Fast-Casual Restaurants | — | CONFIDENTIAL | 4.7% | 4.3% |
| Fine Dining | — | CONFIDENTIAL | 10.6% | 12.0% |
| Grocery Stores Liquor | — | CONFIDENTIAL | -5.7% | 1.2% |
| Hardware Stores | — | CONFIDENTIAL | 6.6% | 5.6% |
| Hotels-Liquor | 30,247 | 2.9% | 5.2% | 8.1% |
| Liquor Stores | 9,097 | -0.1% | 12.3% | 4.3% |
| Quick-Service Restaurants | 23,951 | 10.8% | 4.7% | 6.6% |
| Service Stations | 69,720 | -21.5% | -15.2% | -19.2% |
| Shoe Stores | 42,658 | 22.2% | 9.1% | 6.3% |
| Specialty Stores | 15,062 | 8.5% | 7.6% | 2.5% |
| Trailers/RVs | — | CONFIDENTIAL | 3.9% | 13.7% |
| Women's Apparel | 36,700 | -5.5% | -12.8% | 1.8% |
| Total All Accounts | 668,544 | 1.7% | -0.4% | -0.6% |
| County & State Pool Allocation | 98,566 | 18.3% | 15.8% | 15.2% |
| Gross Receipts | 767,110 | 3.6% | 1.4% | 1.4% |