

Q3 2016



City of Pismo Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Pismo Beach In Brief

Pismo Beach's receipts from July through September were 2.3% above the third sales period in 2015.

A prior-year misallocation by a shoe outlet artificially boosted this year's comparison results. A catch-up payment from a family apparel merchant also inflated the bottom line.

Allocations from the countywide use tax pool increased 18% as consumers embrace the convenience of online shopping. Revenue from these transactions is distributed via the county pool.

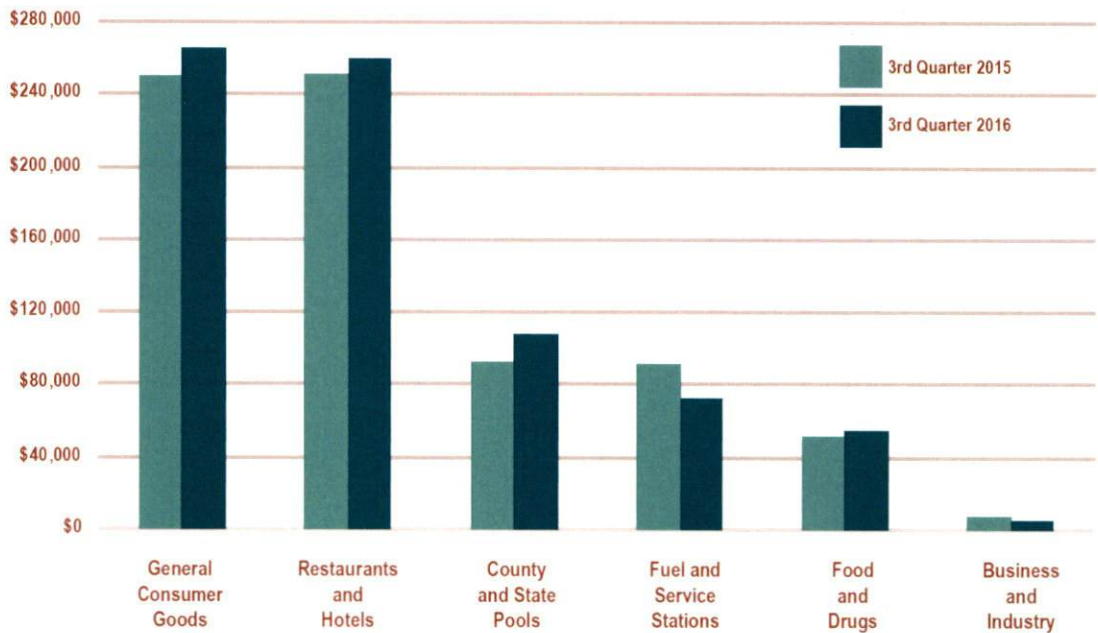
The opening of new casual dining eateries in town also lifted restaurants.

Dampening these gains was a drop in revenue from local service stations, which fell proportionately to the 20% statewide average decline in the price of gasoline during this period.

Measure I, the City's voter-approved transactions tax, added an additional \$433,000 to the amounts previously described, an increase of 4.8% compared to last year.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 3.6% over the comparable time period; the Central Coast region was up 2.2%.

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	Panchos Surf Shop
Cliffs at Shell Beach	Ralph Lauren
Coach	Ross
Cool Cat Cafe	Sky River RV
Cracked Crab	Splash Cafe
CVS Pharmacy	Spyglass Shell
Dolphin Bay Lido Restaurant	Ventana Grill
F McLintocks Saloon	Wooly's Oyster Loft
Levis Outlet	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,387,988	\$1,402,294
County Pool	174,742	206,291
State Pool	688	489
Gross Receipts	\$1,563,418	\$1,609,073
Less Triple Flip*	\$(390,854)	\$0
Measure I	\$796,450	\$810,621

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

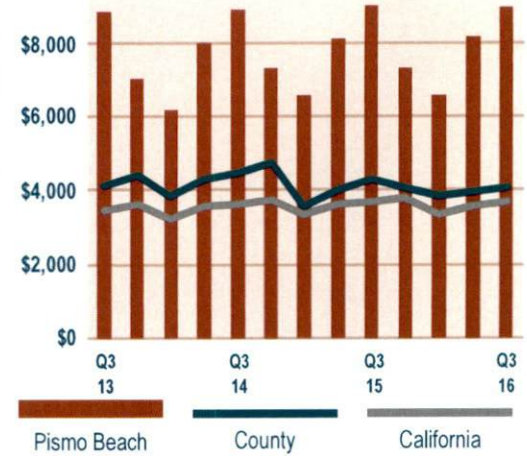
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

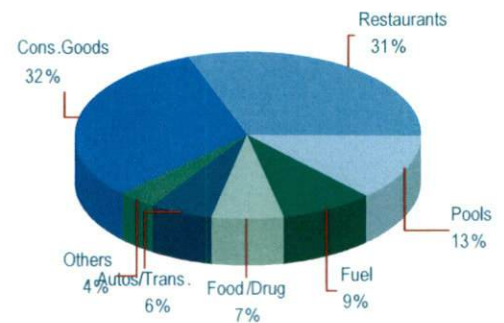
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Pismo Beach This Quarter



PISMO BEACH TOP 15 BUSINESS TYPES

Business Type	Pismo Beach		County	HdL State
	Q3 '16	Change	Change	Change
Casual Dining	166,367	4.0%	3.6%	4.3%
Convenience Stores/Liquor	18,760	5.3%	5.2%	3.7%
Drug Stores	— CONFIDENTIAL —	—	-19.1%	-8.7%
Family Apparel	131,432	4.5%	5.9%	5.9%
Fine Dining	— CONFIDENTIAL —	—	12.1%	12.3%
Grocery Stores	— CONFIDENTIAL —	—	0.2%	-1.9%
Hardware Stores	— CONFIDENTIAL —	—	3.4%	1.9%
Hotels-Liquor	31,324	-5.6%	7.3%	5.5%
Quick-Service Restaurants	41,087	9.1%	11.5%	8.9%
Service Stations	72,815	-20.8%	-17.4%	-13.8%
Shoe Stores	53,710	23.9%	11.8%	7.2%
Specialty Stores	15,550	7.3%	0.4%	2.2%
Sporting Goods/Bike Stores	10,403	-7.5%	5.6%	-0.6%
Trailers/RVs	— CONFIDENTIAL —	—	6.5%	11.7%
Women's Apparel	39,137	2.3%	-9.5%	2.8%
Total All Accounts	733,750	0.4%	-4.9%	0.9%
County & State Pool Allocation	108,214	17.5%	11.3%	11.5%
Gross Receipts	841,963	2.3%	-3.1%	2.2%