

Q1 2017



City of Pismo Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Pismo Beach In Brief

Pismo Beach's receipts for January through March sales were 5.4% lower than the same quarter one year ago. Excluding reporting aberrations, actual sales were down 7.0%.

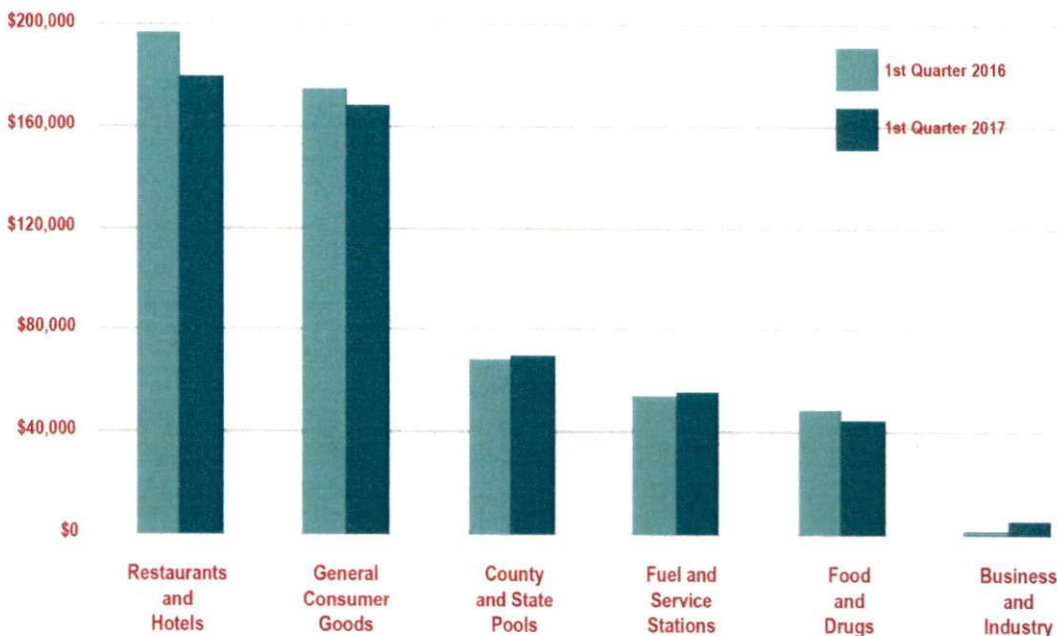
Wet winter weather likely contributed to declines in visitor-serving sectors, including consumer goods. Restaurant group results were hurt by the closure of some casual dining eateries and a reporting problem that cut current period receipts from hotels-liquor. Accounting anomalies depressed convenience store comparisons, but understated family apparel losses.

Declines were partially offset by gains from shoe stores and accounting events that hiked results from specialty stores and the business and industry group.

In addition to the amounts reviewed above, voter-approved Measure I generated \$319,081 for the quarter, which was 3.2% than last year.

Adjusted for reporting anomalies, taxable sales for all of San Luis Obispo County declined 5.0% over the same period; the Central Coast region was up 0.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Orchard Supply Hardware
Big 5	Oshkosh B Gosh
California Fresh Market	Rite Aid
Calvin Klein	Rosas Ristorante Italiano
Chevron	Ross
Cliffs at Shell Beach	Shell Beach Brewhouse
Coach	Sky River RV
Cracked Crab	Splash Cafe
CVS Pharmacy	Spyglass Shell
F McLintocks Saloon	Ventana Grill
McDonalds	Wooly's Oyster Loft
Miller 76	Yanagi Sushi & Grill
Nike	

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,518,581	\$2,512,973
County Pool	329,698	368,733
State Pool	1,696	1,825
Gross Receipts	\$2,849,975	\$2,883,531
Less Triple Flip*	\$(560,995)	\$0
Measure I	\$1,490,583	\$1,498,357

Published by HdL Companies in Summer 2017

www.hdlcompanies.com | 888.861.0220



Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

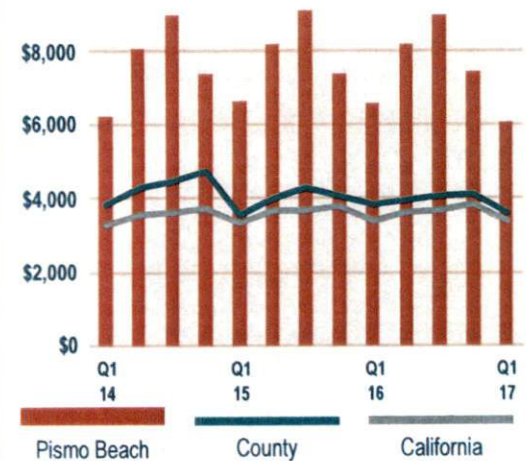
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

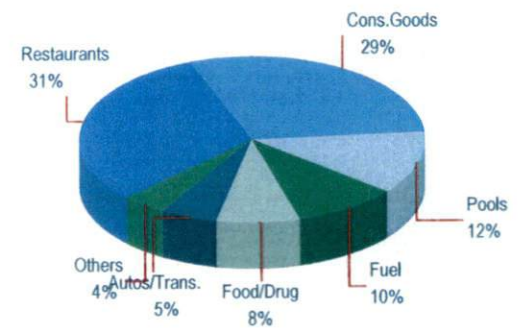
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pismo Beach This Quarter



PISMO BEACH TOP 15 BUSINESS TYPES

Business Type	Pismo Beach		County	HdL State
	Q1 '17	Change	Change	Change
Building Materials	—	CONFIDENTIAL	4.3%	3.1%
Casual Dining	110,860	-9.5%	-2.8%	0.4%
Convenience Stores/Liquor	12,316	-23.2%	-8.1%	3.7%
Drug Stores	—	CONFIDENTIAL	-2.8%	-2.5%
Family Apparel	74,547	-2.8%	-0.3%	0.8%
Fine Dining	—	CONFIDENTIAL	-15.6%	13.2%
Grocery Stores	—	CONFIDENTIAL	3.0%	0.5%
Hotels-Liquor	18,164	-29.4%	-7.7%	6.2%
Quick-Service Restaurants	30,738	-1.0%	8.7%	4.6%
Service Stations	56,008	2.7%	9.7%	10.0%
Shoe Stores	35,013	3.9%	-33.4%	-2.8%
Specialty Stores	14,659	12.9%	2.1%	0.4%
Sporting Goods/Bike Stores	—	CONFIDENTIAL	-5.0%	-13.8%
Trailers/RVs	—	CONFIDENTIAL	-2.3%	11.0%
Women's Apparel	26,468	-15.6%	2.0%	-7.3%
Total All Accounts	503,078	-6.4%	-5.3%	1.8%
County & State Pool Allocation	70,412	3.0%	4.3%	2.9%
Gross Receipts	573,490	-5.4%	-4.2%	1.9%