

Q2 2017



City of Pismo Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Pismo Beach In Brief

Pismo Beach's receipts from April through June were 0.6% below the second sales period in 2016. Excluding reporting aberrations, actual sales were up 1.8%.

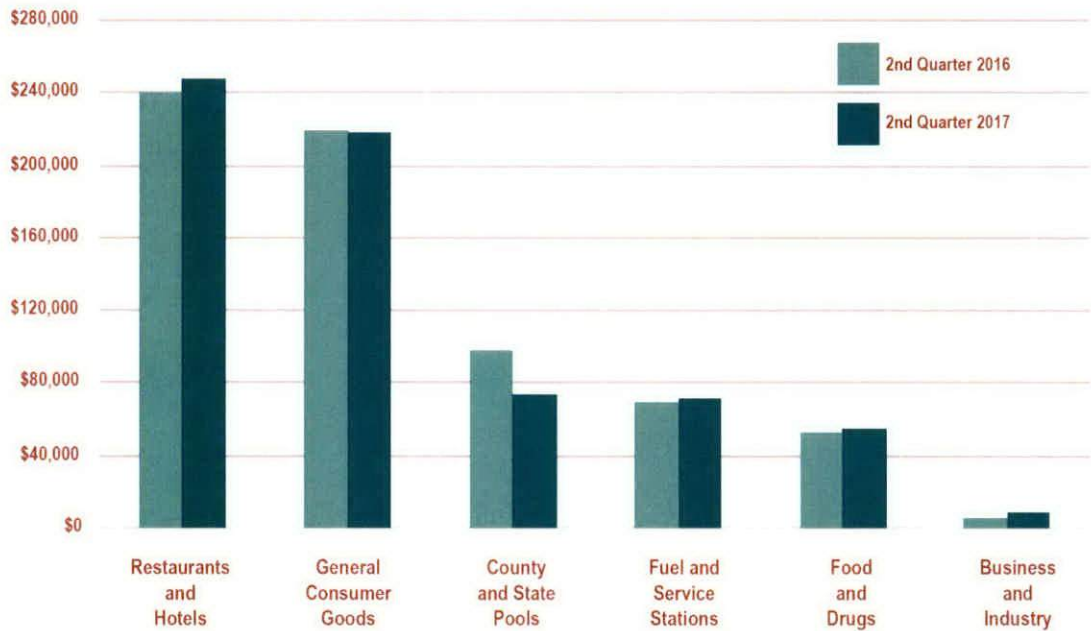
The most significant drag on overall returns was a 25% decrease in allocations from the countywide use tax pool. The pool is divided proportionately among county agencies based on point of sale receipts and a project-driven spike in allocations elsewhere in the region resulted in the City temporarily receiving a smaller share. State audit corrections further depressed the pool.

Restaurant-hotel returns were a bright spot, boosted by the recent opening of several new eateries in town. Revenue from business-industrial firms was also higher.

The City's voter approved half-cent transaction tax, Measure I, generated an additional \$405,000, an increase of 7.5% over the prior year. Measure I growth outpaced sales tax performance as this revenue source is not impacted by countywide use tax pool fluctuations, which turned negative this quarter.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 2.3% over the comparable time period; the Central Coast region was up 4.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Orchard Supply Hardware
Brads Restaurant	Oshkosh B Gosh
California Fresh Market	Panchos Surf Shop
Calvin Klein	Ralph Lauren
Chevron	Rite Aid
Cliffs at Shell Beach	Ross
Coach	Sea Venture Resort
CVS Pharmacy	Sky River RV
Dolphin Bay Lido Restaurant	Splash Cafe
F McLintocks Saloon	Spyglass Shell
McDonalds	Ventana Grill
Miller 76	Wooly's Oyster Loft
Nike	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$668,544	\$688,701
County Pool	98,332	73,950
State Pool	234	(351)
Gross Receipts	\$767,110	\$762,300
Less Triple Flip*	\$0	\$0
Measure I	\$377,221	\$405,338

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

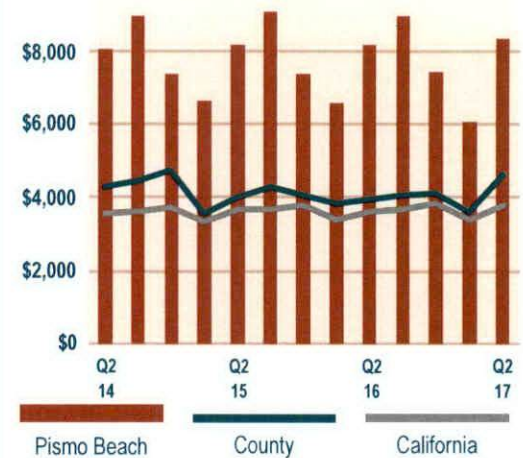
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

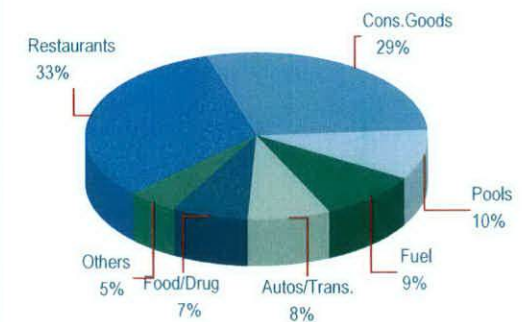
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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 '17	Change	Change	Change
Building Materials	— CONFIDENTIAL —		14.5%	6.0%
Casual Dining	151,589	-1.9%	6.3%	2.1%
Convenience Stores/Liquor	16,685	-1.3%	2.1%	5.2%
Drug Stores	— CONFIDENTIAL —		0.6%	0.8%
Family Apparel	95,379	-3.2%	5.5%	4.0%
Fine Dining	— CONFIDENTIAL —		17.8%	12.8%
Grocery Stores	— CONFIDENTIAL —		5.5%	2.1%
Hotels-Liquor	32,961	9.0%	4.3%	3.3%
Quick-Service Restaurants	37,183	7.0%	6.5%	5.8%
Service Stations	71,574	2.7%	7.9%	8.6%
Shoe Stores	45,517	6.7%	8.6%	4.0%
Specialty Stores	16,403	-0.9%	4.2%	1.0%
Sporting Goods/Bike Stores	— CONFIDENTIAL —		-2.7%	-15.1%
Trailers/RVs	— CONFIDENTIAL —		15.8%	9.0%
Women's Apparel	33,431	-4.4%	-4.2%	-4.0%
Total All Accounts	688,701	3.0%	17.7%	6.4%
County & State Pool Allocation	73,599	-25.3%	-14.7%	-9.9%
Gross Receipts	762,300	-0.6%	13.5%	4.1%