

Q3 2018



City of Pismo Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Pismo Beach In Brief

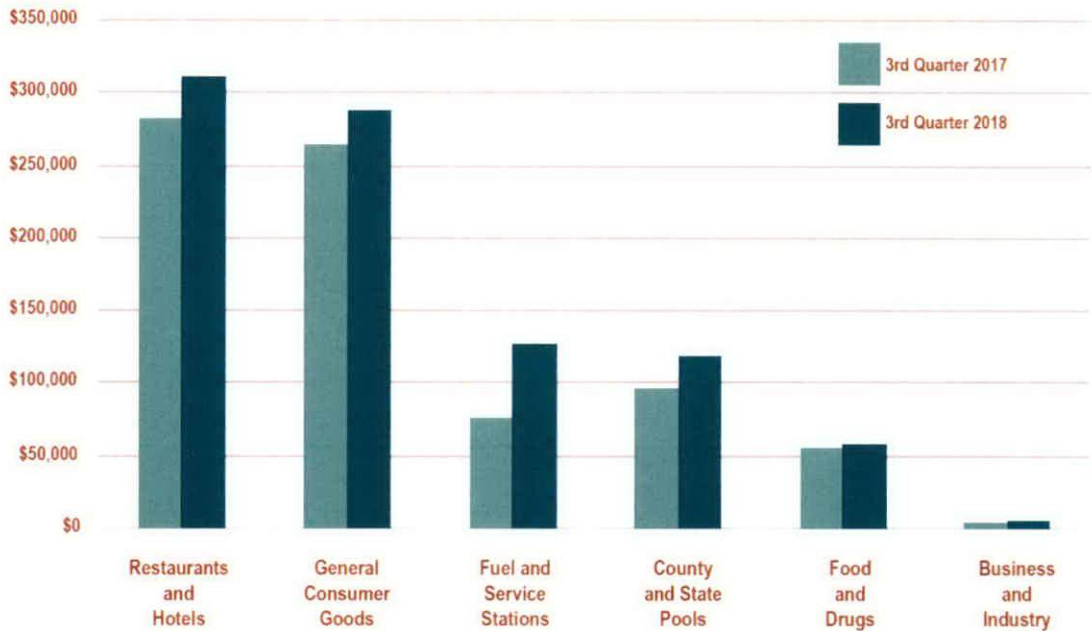
Pismo Beach's allocation of sales and use tax from its July through September sales was 16.7% higher than the summer quarter of 2017. However, the allocation was inflated by back payments and reporting errors due to State problems with its new computer system. Actual receipts were up 5.9% after these and other aberrations are factored out.

Recent additions and an overall solid quarter for the restaurant-hotel group were primarily responsible for the actual increase. Higher fuel prices and a rise in the county-wide use tax allocation pool were additional factors. The gains were partially offset by a combination of store closures and soft sales for several categories of general consumer goods.

Voter approved Measure I added \$444,701 to the amounts discussed above and rose 3.5% over the same quarter last year after factoring for State reporting issues. The gains from this source are primarily from restaurant patronage, purchases of building-construction supplies, and rising fuel prices.

Adjusted for aberrations and State computer issues, sales and use tax receipts for all of San Luis Obispo County grew 5.9% over the comparable time period while the Central Coast region as a whole, was up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Nike
Arco AM PM	Orchard Supply Hardware
Brads Restaurant	Pacific Coast RV
California Fresh Market	Panchos Surf Shop
Calvin Klein	Ralph Lauren
Chevron	Ross
Cliffs at Shell Beach	Shell
Cracked Crab	Sky River RV
Dolphin Bay Lido Restaurant	Spyglass Shell
F McLintocks Saloon	Vans
Giuseppes Cucina	Ventana Grill
Levis Outlet	Wooly's Oyster Loft
Miller 76	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$742,351	\$859,952
County Pool	95,773	118,384
State Pool	576	442
Gross Receipts	\$838,700	\$978,778
Measure I	\$431,864	\$492,642

California Overall

The CDTFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

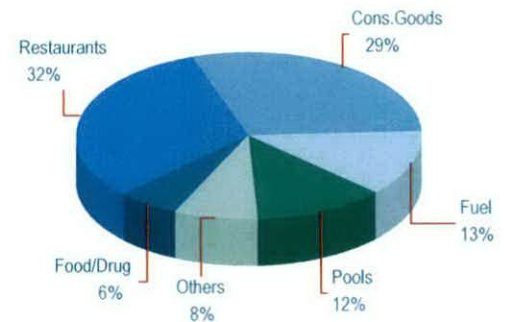
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

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 '18	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	25.9%	29.7%
Casual Dining	200,086	14.0%	15.7%	14.6%
Convenience Stores/Liquor	15,692	-1.6%	13.5%	20.7%
Drug Stores	— CONFIDENTIAL —	—	4.2%	2.8%
Family Apparel	133,223	13.0%	22.2%	36.3%
Fine Dining	— CONFIDENTIAL —	—	32.1%	16.9%
Grocery Stores	— CONFIDENTIAL —	—	12.3%	16.1%
Hotels-Liquor	44,914	20.4%	19.7%	17.1%
Quick-Service Restaurants	36,200	-12.9%	11.7%	13.4%
Service Stations	126,337	66.0%	46.0%	43.0%
Shoe Stores	57,742	-2.4%	7.6%	5.5%
Specialty Stores	19,571	21.9%	10.3%	8.9%
Sporting Goods/Bike Stores	20,197	5.0%	18.3%	20.8%
Trailers/RVs	— CONFIDENTIAL —	—	16.0%	14.1%
Women's Apparel	30,045	-6.0%	-1.9%	13.7%
Total All Accounts	859,952	15.8%	24.8%	21.8%
County & State Pool Allocation	118,826	23.3%	32.9%	27.8%
Gross Receipts	978,778	16.7%	25.8%	22.6%