



City of San Luis Obispo

Sales Tax Newsletter

IN THIS ISSUE

4th Quarter 2012

This newsletter covers the City's sales tax revenues received in May 2013 for sales occurring from October-December 2012. After adjusting for apportionment errors and late payments, "point-of-sale" revenues totaled \$3,424,438, up by 3.5% compared with the same quarter last year. Including the County and State pool allocations, revenues totaled \$3,760,205.

Major Business Groups. As shown by the graph on page 4, the Autos &

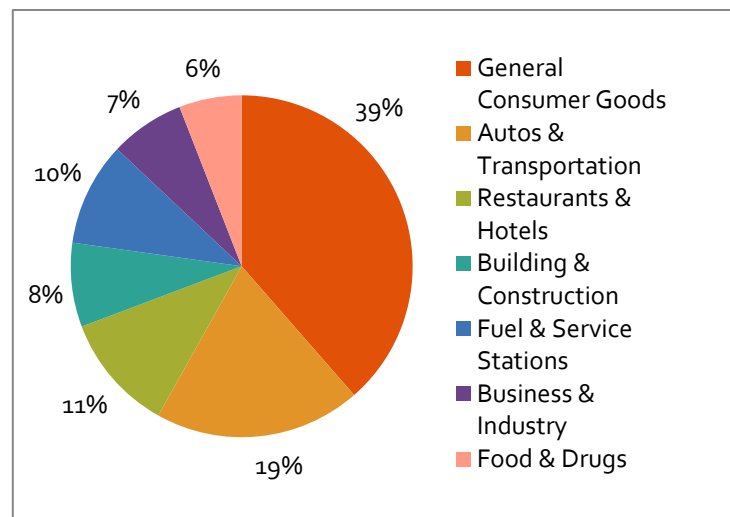
Transportation category showed robust results for the 11th consecutive quarter. Industry analysts report that auto sales are now beginning to show signs of leveling off.

The Restaurants & Hotels category results were boosted by the addition of new eateries. Nationwide, sales at restaurants are at an all-time high.

Per AB 155, certain online and remote sellers began collecting sales and use tax in September 2012. These revenues are reflected in receipts from the countywide tax allocation pool.

The graph on page 7 provides a 13 quarter history of the sales tax for all business groups.

This chart shows the percentage of total sales tax revenue attributed to each major business group for the 4th quarter 2012.



Sales Tax Revenue

2010-2012 Calendar Years Page 2

Measure Y Revenues

Projected Uses: 2011-13 Page 2

Geographic Areas

Sales Tax Revenues by Geographic Area: 4th Quarter 2012 and 2011 Page 3

Charts and Graphs

Sales Tax by Major Business Group: 4th Quarter 2012 and 2011

Top 25 Sales Tax Producers: 4th Quarter 2012

Top 15 Business Types: 4th Quarter 2012 and 2011

Sales Per Capita: City compared with the County and State, last 13 quarters

Sales Per Capita: City compared with six similar agencies, last 13 quarters

Major Business Groups: 13 quarter history Pages 4-7



This chart shows sales tax revenues for the 2010-2012 calendar years.

Sales Tax Revenues: 2010-2012

The chart above shows the growth of sales tax revenues over the last four quarters compared with the 2010 and 2011 calendar years. This chart

illustrates the slow and steady growth of the City's number one revenue source during the economic recovery.

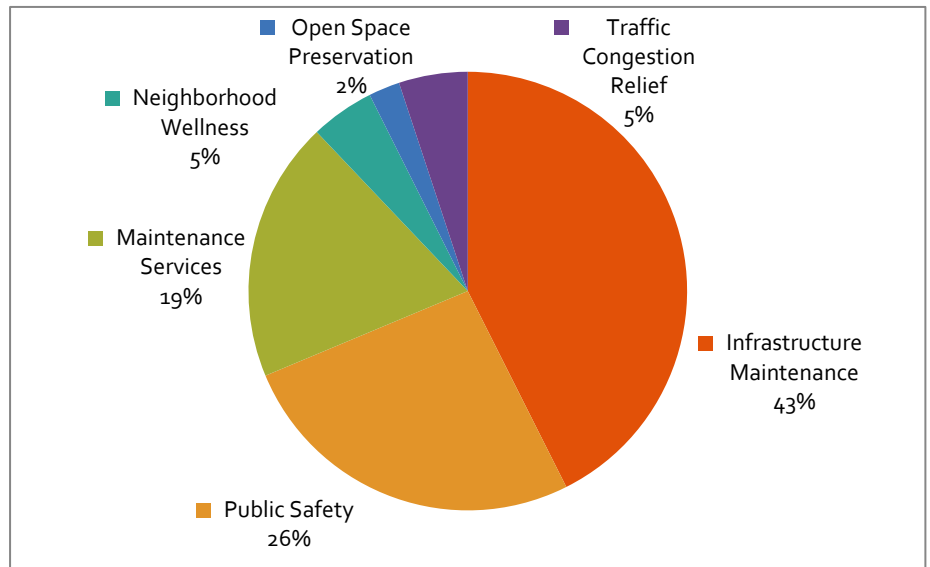
Sales tax, including the Measure Y transaction tax, accounts for 38% of the City's General Fund's total revenues.

Measure Y Revenues

Measure Y revenues were up 1.5% from the 4th quarter of 2011, generating \$1,733,563 for the current quarter.

The chart at the right shows the projected Measure Y uses for 2011-13. The City Council prioritizes the use of this resource and is now in the process of approving the Measure Y priorities for the 2013-15 Financial Plan. This includes both operating programs and capital improvement projects that fall into the six categories seen at the right. These proposed uses are in alignment with top Council goals and objectives.

This chart shows the projected Measure Y uses for 2011-13.

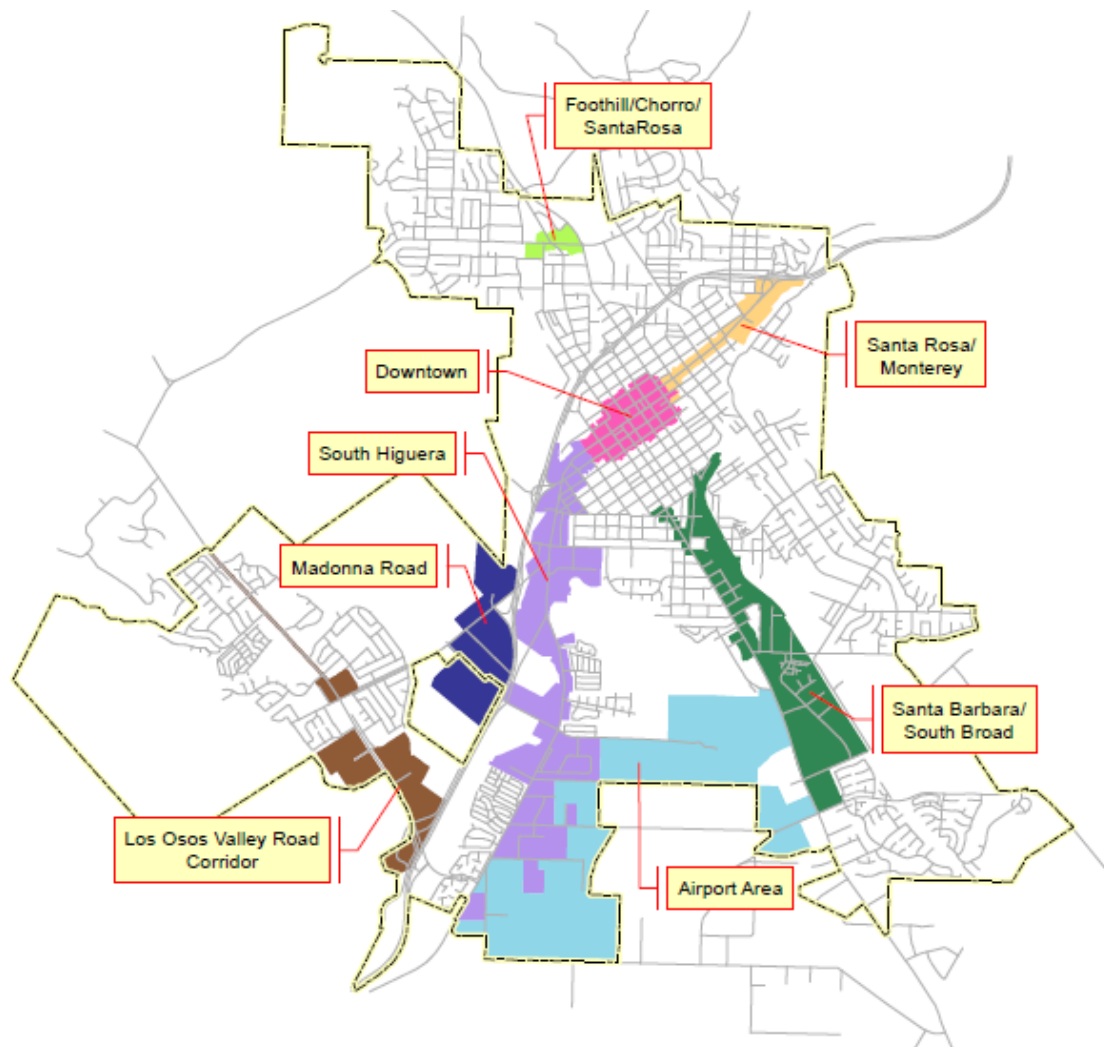


Sales Tax Revenues by Geographic Area

The Madonna Road Area has seen year over year decreases for the last five quarters, with this quarter showing the largest decrease. The Downtown Area saw its smallest year over year increase since the 1st quarter of 2010.

This chart shows revenues by geographic area for the 4th quarter of 2012 and 2011, the percentage change between them, and the percentage of total City revenues attributed to each area.

	4 th Quarter 2012	4 th Quarter 2011	% Change	% of Total
Los Osos Valley Road Corridor	\$1,242,416	\$1,074,101	15.7%	36.3%
Downtown Area	\$525,121	\$517,589	1.5%	15.3%
South Higuera Area	\$382,170	\$405,395	-5.7%	11.2%
South Broad/Santa Barbara Area	\$346,453	\$325,245	6.5%	10.1%
Madonna Road Area	\$291,494	\$377,896	-22.9%	8.5%
Airport Area	\$177,842	\$163,072	9.1%	5.2%
Monterey/Santa Rosa Area	\$138,284	\$133,288	3.7%	4.0%
Foothill/Chorro/Santa Rosa Area	\$79,716	\$76,029	4.8%	2.3%
All Other Areas	\$240,942	\$234,624	2.7%	7.0%
Total – Point of Sale Revenues	\$3,424,438	\$3,307,239	3.5%	100%



Q4 2012



San Luis Obispo Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

San Luis Obispo In Brief

Receipts for San Luis Obispo's October through December sales were 2.6% lower than the same quarter one year ago. Actual sales activity was up 0.4% when reporting aberrations were factored out.

Payment anomalies that decreased receipts from lumber materials and grocery stores were primarily responsible for temporarily depressing the city's overall results. In addition, a reporting error that boosted the comparison quarter was responsible for the decrease from the fuel and service stations group.

General consumer goods posted sales increases that were lifted, in part, by the addition of new women's apparel and sporting goods stores; however, a missing payment from the electronics category offset the gains. Receipts from business and industry also benefited from the addition of new light and heavy industrial companies.

Autos and transportation experienced a strong sales quarter from car sales, auto supply stores, and auto repair shops. The addition of new eateries helped boost the restaurant group.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County increased 34.4% over the comparable time period, while the Central Coast region as a whole was up 10.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

- | | |
|----------------------|--------------------|
| Alfano Motorcars | JB Dewar Exxon |
| Mercedes Benz | Distributor |
| Chevrolet | Kohls |
| Apple Computer | Laguna Shell & |
| Bed Bath & Beyond | Madonna Shell |
| Central Coast Shell | Madonna Inn |
| Chevron | Perry Ford Lincoln |
| Coast BMW Nissan | Sears |
| Cole Chrysler Dodge | Smith Volvo |
| Jeep Mazda | Sunset Auto Sales |
| Conserv Fuel | Target |
| Costco | Tennis Warehouse |
| Cuesta Cadillac | Toyota of San Luis |
| Saab Rancho | Obispo |
| Grande Motors | United Rentals |
| Edna Valley Shell | Vons |
| Ferguson Enterprises | |

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$9,230,436	\$9,677,214
County Pool	1,065,396	935,320
State Pool	1,484	4,176
Gross Receipts	\$10,297,317	\$10,616,710
Less Triple Flip*	\$(2,574,329)	\$(2,654,178)
Gross Trans. Tax	\$4,709,318	\$4,946,584

**Reimbursed from county compensation fund*

NOTES

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

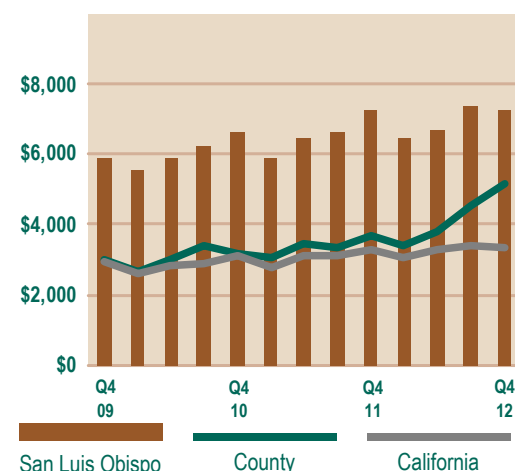
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Sentate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



SAN LUIS OBISPO TOP 15 BUSINESS TYPES

Business Type	San Luis Obispo		County	HdL State
	Q4 '12*	Change	Change	Change
Department Stores	69.1	-1.8%	-5.2%	-3.2%
Discount Dept Stores	— CONFIDENTIAL —		2.9%	4.4%
Electronics/Appliance Stores	125.0	-35.0%	-20.5%	3.6%
Family Apparel	117.6	0.3%	5.3%	8.3%
Grocery Stores Liquor	74.1	-22.8%	-12.4%	-17.6%
Home Furnishings	84.9	-0.4%	3.3%	6.3%
New Motor Vehicle Dealers	529.1	28.3%	15.5%	17.2%
Petroleum Prod/Equipment	66.0	-49.6%	-12.8%	-4.1%
Restaurants Beer And Wine	98.2	-4.8%	-2.3%	0.2%
Restaurants Liquor	148.5	19.2%	12.4%	8.0%
Restaurants No Alcohol	99.8	7.8%	8.3%	5.1%
Service Stations	267.6	4.9%	2.4%	2.8%
Specialty Stores	92.3	-0.2%	2.3%	-0.6%
Sporting Goods/Bike Stores	144.2	36.8%	23.2%	4.7%
Women's Apparel	70.9	6.6%	3.2%	5.5%
Total All Accounts	\$3,302.7	0.2%	40.0%	2.0%
County & State Pool Allocation	335.8	-23.5%		
Gross Receipts	\$3,638.4	-2.6%		<i>*In thousands</i>

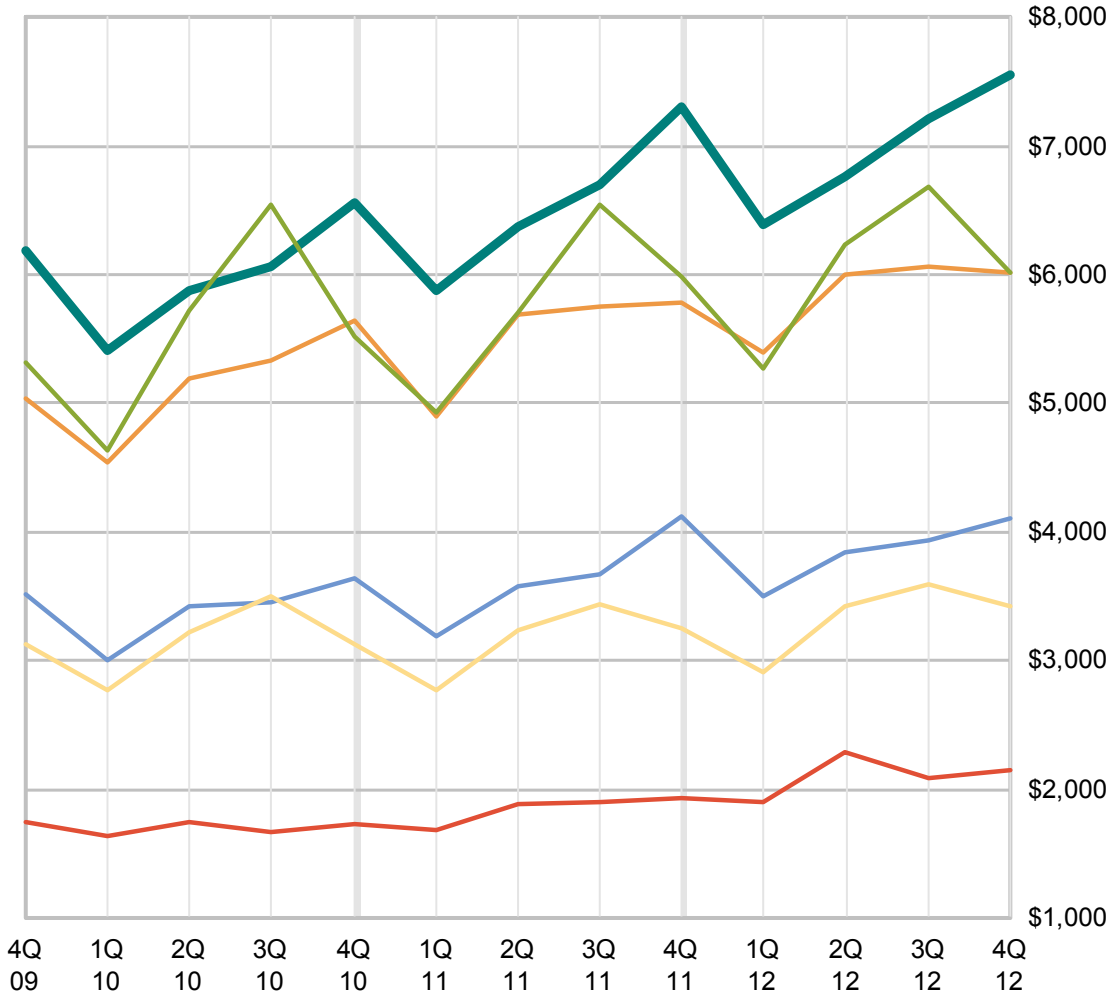


CITY OF SAN LUIS OBISPO

AGENCY COMPARISONS

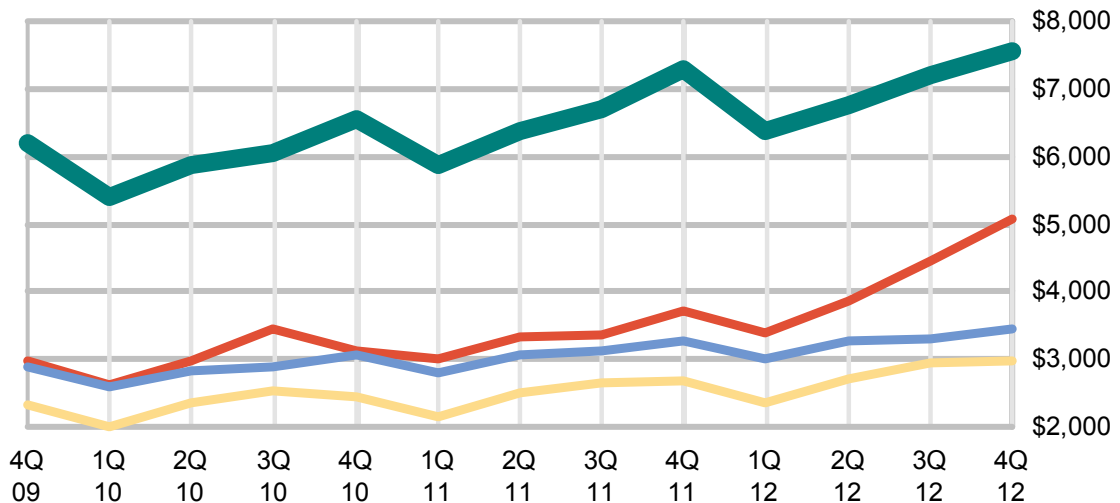
Per Capita Sales

- San Luis Obispo**
Count: 2,158
- Paso Robles**
Count: 1,490
- Santa Maria**
Count: 2,390
- Monterey**
Count: 1,794
- Santa Cruz**
Count: 2,646
- Davis**
Count: 1,315



Per Capita Sales

- San Luis Obispo**
- San Luis Obispo County**
- Central Coast**
- California**



Regional per capita calculations based on partial data
 Periods shown reflect the period in which the sales occurred - Point of Sale

Sales Tax by Major Industry Group

General Consumer Goods

Count: 977

Autos And Transportation

Count: 190

Restaurants And Hotels

Count: 240

Fuel And Service Stations

Count: 28

Building And Construction

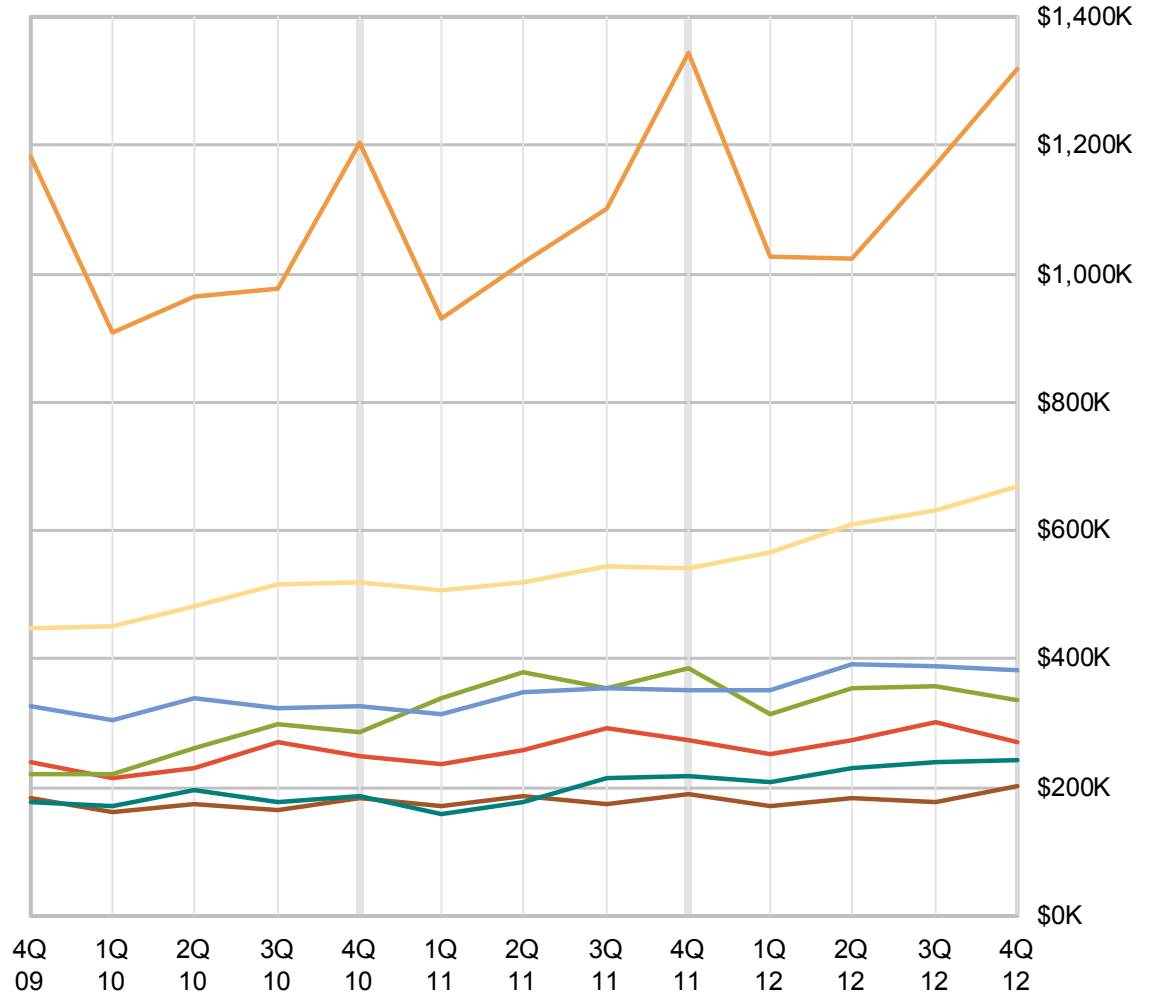
Count: 86

Business And Industry

Count: 561

Food And Drugs

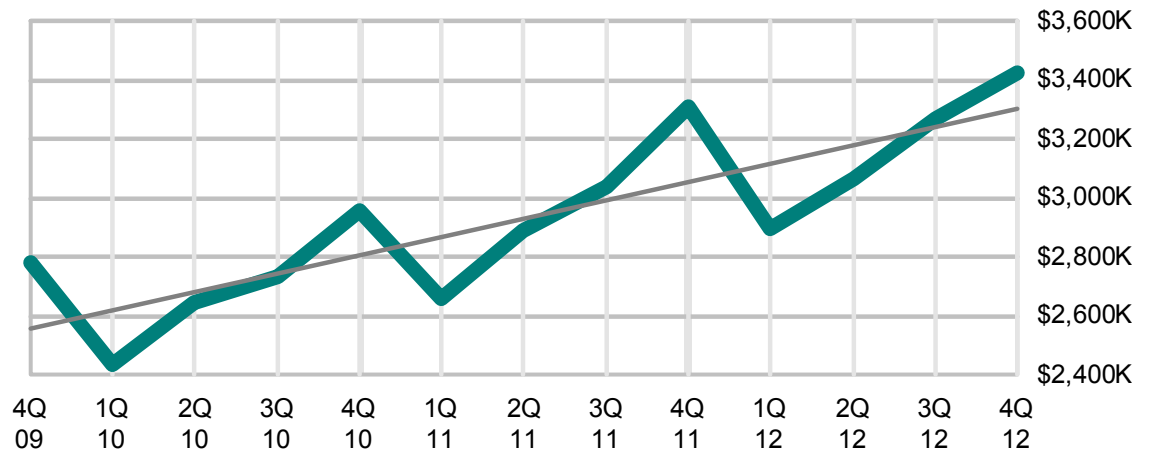
Count: 74



Agency Trend

San Luis Obispo

13 Quarter Trend: +29.1%



Periods shown reflect the period in which the sales occurred - Point of Sale

City of San Luis Obispo

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The information provided in this newsletter is based on a detailed database available to the City through our sales tax advisor. Several of the charts included in the newsletter are based on "raw" unadjusted data. As such, caution should be used in analyzing these results.

For additional information about the City's retail base or the data in this newsletter, please contact Rachel McClure, Administrative Analyst, at 805-781-7521 or rmcclure@slocity.org. Please note that the City cannot release information on individual businesses.

