

Q4 2015



San Luis Obispo Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

San Luis Obispo In Brief

San Luis Obispo's receipts from October through December were 11.1% above the fourth sales period in 2014, outperforming the statewide trend of 2.6%.

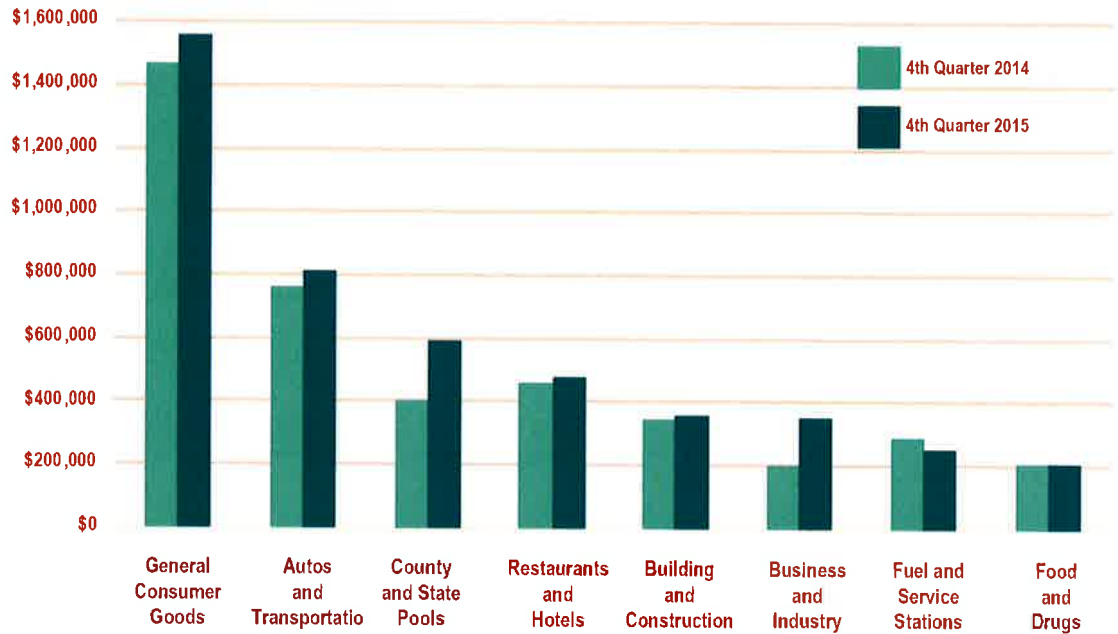
The primary drivers of the strong quarterly results were higher business and industrial sales and a larger share of the growing countywide use tax pool. New sporting good/bike and specialty store openings also bolstered general consumer goods.

The gains were partially offset by lower service station and petroleum production/equipment sales as a result of the oversupply of crude oil and the strong dollar deflating commodity pricing.

The City's Measure G voter approved half-cent transaction tax generated an additional \$2,001,000 in revenue, an increase of 3.1% compared to the prior year.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 11.9% over the comparable time period; the Central Coast region was down 0.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Alfano Motorcars	JB Dewar Exxon Distributor
Mercedes Benz	Kohls
Chevrolet	Madonna Inn
Apple	Perry Ford Lincoln
Best Buy	Rec Solar
Chevron	Commercial Corporation
Coast BMW Nissan	Sears
Cole Chrysler Dodge	Smith Volvo
Jeep Cole Mazda	Sunset Auto Sales
Conserv Fuel	Target
Costco	Tennis Warehouse
Cuesta Cadillac	Tesoro Refining & Marketing
Saab Rancho	Toyota of San Luis Obispo
Grande Motors	Vons
Ferguson Enterprises	
Hayward Lumber	
Home Depot	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$7,246,327	\$7,682,257
County Pool	782,740	1,045,484
State Pool	6,398	9,825
Gross Receipts	\$8,035,465	\$8,737,567
Less Triple Flip*	\$(2,008,866)	\$(2,184,392)
Measure G	\$3,737,734	\$3,853,801

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

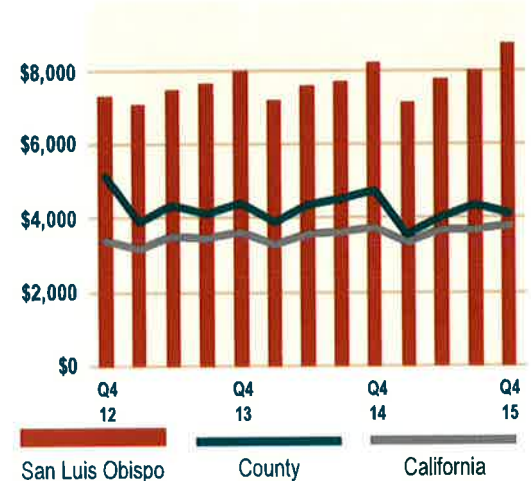
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

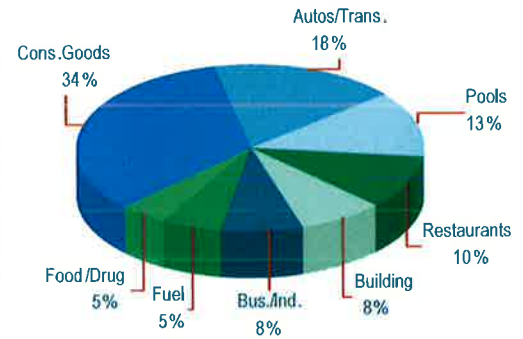
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
San Luis Obispo This Quarter



SAN LUIS OBISPO TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	San Luis Obispo Q4 '15*	Change	County Change	HdL State Change
Casual Dining	263.8	-1.2%	0.9%	5.7%
Discount Dept Stores	— CONFIDENTIAL —		1.9%	3.0%
Electronics/Appliance Stores	203.0	5.3%	7.4%	0.7%
Energy/Utilities	— CONFIDENTIAL —		-87.0%	-7.0%
Family Apparel	126.2	3.6%	1.6%	4.0%
Grocery Stores Liquor	93.0	-0.3%	-1.3%	0.6%
Home Furnishings	113.8	4.2%	6.3%	1.9%
Lumber/Building Materials	180.7	5.6%	13.0%	10.1%
New Motor Vehicle Dealers	625.7	2.8%	11.4%	7.8%
Plumbing/Electrical Supplies	87.9	13.3%	8.3%	9.7%
Quick-Service Restaurants	83.1	17.1%	14.0%	8.1%
Service Stations	203.4	-9.0%	-7.2%	-10.5%
Specialty Stores	113.4	6.7%	4.3%	4.6%
Sporting Goods/Bike Stores	179.1	8.2%	2.6%	2.9%
Women's Apparel	67.9	0.9%	-1.4%	1.1%
Total All Accounts	4,010.2	7.3%	-13.5%	2.4%
County & State Pool Allocation	592.7	46.5%	18.1%	10.8%
Gross Receipts	4,602.9	11.1%	-10.5%	3.5%