

Q4 2018



San Luis Obispo Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

San Luis Obispo In Brief

San Luis Obispo's receipts from October through December were 0.7% above the fourth sales period in 2017. Adjusted for proper payment timing, actual sales were down 0.6%.

Suspected delays in fuel and service station payments, which may have resulted from the State's continuing difficulties in transitioning to its new software system, was the most significant factor in this result.

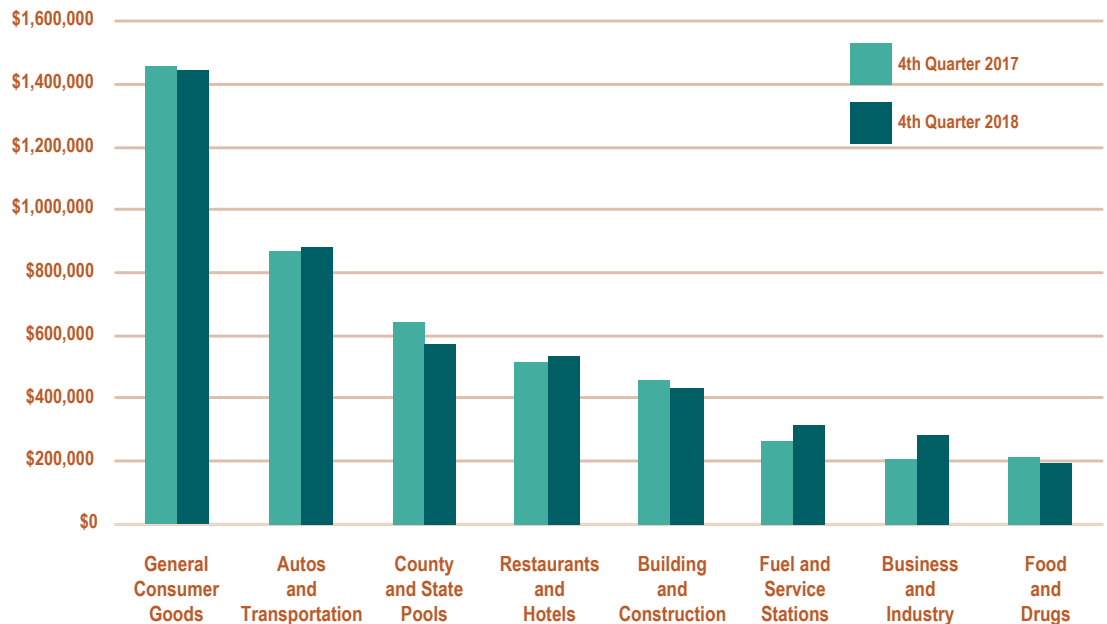
The City also received a lower allocation from the countywide use tax pool, which was largely due to a sizable misallocation that spiked results in the comparison year.

Conversely business-industrial sales were higher but appear to have benefited from a suspected misallocation. Jewelry sales also surged in the holiday quarter as two local stores held liquidation sales.

Measure G contributed an additional \$2,189,000 to the amounts previously discussed with similar adjusted performance to the City's local 1% sales tax.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 6.8% over the comparable time period; the Central Coast region was down 0.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alfano Motorcars	Kohls
Mercedes Benz	Madonna Inn
Chevrolet	Perry Ford Lincoln
Apple	Volkswagen
Best Buy	Rancho Grande
Chevron	Motors Buick Gmc
Coast BMW Nissan	Hyundai Subaru
Cole Chrysler Dodge	Rec Solar
Jeep Cole Mazda	Commercial Corporation
Conserv Fuel	Shell
Consolidated Electrical Distributors	Smith Volvo
Costco	Sunset Honda
Edna Valley Shell	Tackle Warehouse
Ferguson Enterprises	Target
Hayward Lumber	Toyota of San Luis Obispo
Home Depot	Vons

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$7,595,138	\$8,464,449
County Pool	1,108,267	1,174,634
State Pool	3,974	4,229
Gross Receipts	\$8,707,379	\$9,643,313
Measure G	\$3,940,614	\$4,553,422

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

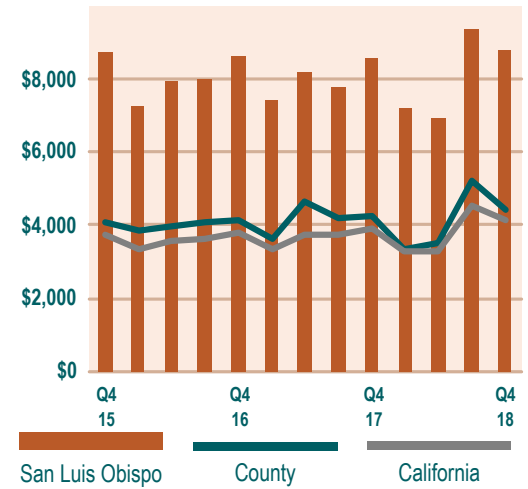
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

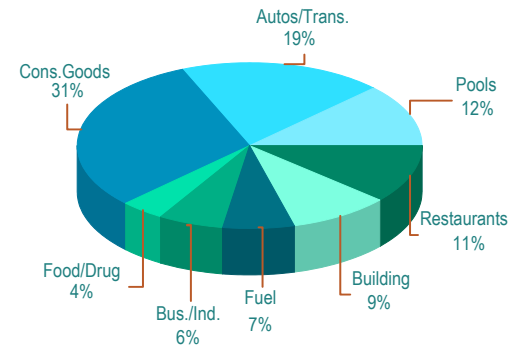
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

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 '18*	San Luis Obispo Change	County Change	HdL State Change
Building Materials	217.9	-1.6%	-0.1%	5.5%
Casual Dining	292.9	5.0%	6.6%	2.5%
Contractors	90.7	-6.3%	-7.0%	17.3%
Discount Dept Stores	— CONFIDENTIAL —		0.1%	3.9%
Electronics/Appliance Stores	162.0	-13.7%	-8.8%	-1.6%
Family Apparel	109.0	-14.3%	-6.1%	0.5%
Fast-Casual Restaurants	77.4	-7.6%	-3.9%	4.5%
Grocery Stores	112.7	-14.1%	-11.1%	-11.7%
Home Furnishings	123.7	1.6%	3.6%	0.0%
New Motor Vehicle Dealers	674.4	0.7%	1.1%	5.8%
Plumbing/Electrical Supplies	107.3	-14.3%	-12.9%	8.9%
Quick-Service Restaurants	88.9	2.5%	7.9%	6.6%
Service Stations	310.3	50.5%	39.7%	28.5%
Specialty Stores	85.7	-18.5%	1.7%	-10.8%
Sporting Goods/Bike Stores	167.8	1.0%	0.2%	-2.3%
Total All Accounts	4,088.5	2.5%	4.8%	7.0%
County & State Pool Allocation	574.2	-10.8%	-8.9%	8.6%
Gross Receipts	4,662.7	0.7%	2.9%	7.2%