

Q2 2019



San Luis Obispo Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

San Luis Obispo In Brief

San Luis Obispo's receipts from April through June were 12.0% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Excluding reporting aberrations, actual sales were down 3.9%.

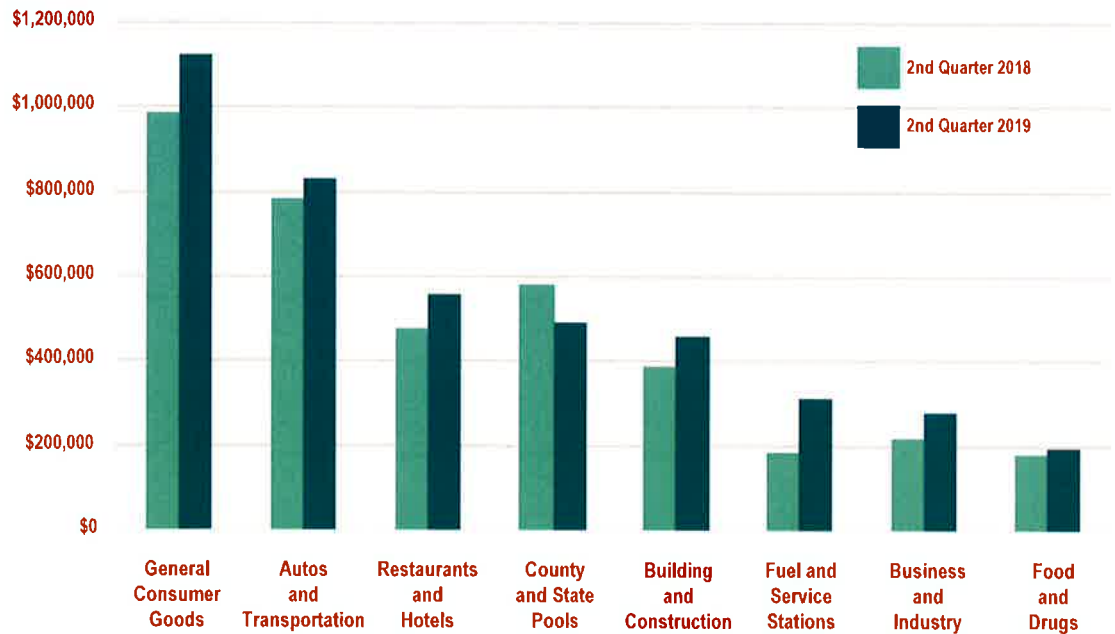
Softer new auto sales activity and weak early-summer returns from contractor suppliers were largely responsible for the drop. General consumer retailers struggled to match last year's results due to the recent closeout of women's and family apparel outlets.

These combined with a lower allocation from the countywide use tax pool due to diminished tax dollars compared to the prior period, further negatively impacted the overall results.

The City's voter approved half-cent transaction tax, Measure G, generating an additional \$2,012,414 or 14.3% increase over last year, was also dramatically impacted by CDTFA software changes. Once adjusted, the measure experienced a decrease of 4.6%, largely due to one-time allocations that occurred in the comparison quarter.

Net of aberrations, taxable receipts for all of San Luis Obispo County grew 3.1% over the comparable time period; the Central Coast region was up 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Air Vol Block	JB Dewar Exxon Distributor
Alfano Motorcars	Laguna Shell
Mercedes Benz	Madonna Inn
Chevrolet	Perry Ford Lincoln Volkswagen
Apple	Rancho Grande
Best Buy	Motors Buick Gmc
Chevron	Hyundai Subaru
Coast BMW Nissan	Shell
Cole Chrysler Dodge	Smith Volvo
Jeep Cole Mazda	Sunset Honda
Conserv Fuel	Tackle Warehouse
Costco	Target
Edna Valley Shell	Tennis Warehouse
Ferguson Enterprises	Toyota of San Luis Obispo
Hayward Lumber	
Home Depot	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$14,164,061	\$15,813,837
County Pool	2,215,761	2,261,477
State Pool	8,163	7,885
Gross Receipts	\$16,387,985	\$18,083,198
Measure G	\$7,510,414	\$8,485,460

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

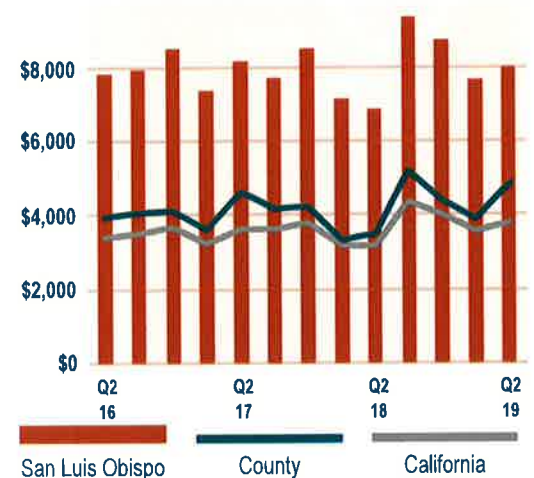
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

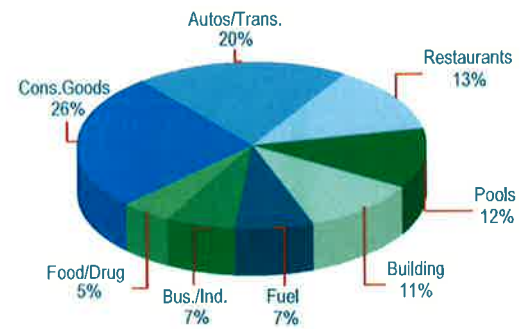
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

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 Q2 '19*	Change	County Change	HdL State Change
Building Materials	216.9	34.5%	15.9%	34.1%
Casual Dining	302.9	24.2%	18.6%	24.5%
Contractors	101.9	26.0%	23.5%	26.8%
Discount Dept Stores	— CONFIDENTIAL —		18.1%	26.3%
Electronics/Appliance Stores	140.7	-1.7%	-6.6%	7.0%
Family Apparel	96.2	34.1%	36.2%	45.3%
Fast-Casual Restaurants	94.1	15.0%	28.9%	18.9%
Grocery Stores	111.6	7.1%	7.2%	9.6%
Home Furnishings	83.5	-2.0%	-9.1%	15.8%
New Motor Vehicle Dealers	646.2	8.6%	15.9%	5.4%
Plumbing/Electrical Supplies	117.2	-1.8%	1.6%	28.9%
Quick-Service Restaurants	91.6	14.4%	28.0%	15.9%
Service Stations	260.4	43.4%	84.8%	51.4%
Specialty Stores	63.2	3.2%	-9.7%	-8.5%
Sporting Goods/Bike Stores	154.7	59.9%	41.9%	29.7%
Total All Accounts	3,760.6	17.0%	37.9%	20.1%
County & State Pool Allocation	491.2	-15.7%	-0.6%	22.4%
Gross Receipts	4,251.8	12.0%	32.0%	20.4%