

# Q1 2019



# San Luis Obispo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

## San Luis Obispo In Brief

San Luis Obispo's receipts from January through March were 7.9% above the first sales period in 2018, however double payments and other reporting aberrations inflated all sectors. Excluding aberrations, actual sales were down 4.8%.

Sluggish sales in most retail categories produced an 8.2% decline in general consumer goods and were a major factor in the overall decrease in actual sales. A sharp decline in contractors' supplies sales and a 3.3% dip in new auto sales were also factors. Service station sales were off 4.4% consistent with statewide trends due to lower retail gas prices.

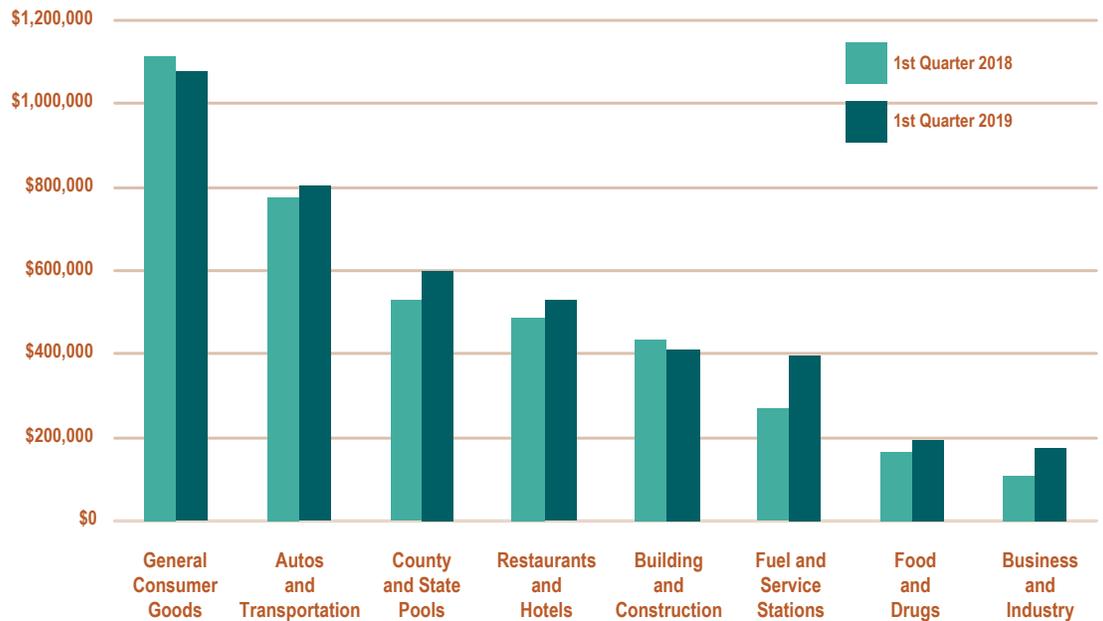
Restaurant sales were up 1.7% as quick-service and fast casual eateries performed well, while casual dining sales were down slightly. Business to business sales were higher due to continuing misallocated payments.

The City's allocation from the countywide use tax pool increased 13.5% due to anomalies that depressed prior year pool receipts.

Measure G added an additional \$1,919,623 during the period. After adjusting for reporting anomalies, actual sales were down 7.8%.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 3.2% over the comparable time period; the Central Coast region was down 2.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alfano Motorcars	Perry Ford Lincoln
Mercedes Benz	Volkswagen
Chevrolet	
	Rancho Grande
Apple	Motors Buick Gmc
Best Buy	Hyundai Subaru
Chevron	
Coast BMW Nissan	Rec Solar
Cole Chrysler Dodge	Commercial
Jeep Cole Mazda	Corporation
Conserv Fuel	Sephora
Costco	Smith Volvo
Ferguson Enterprises	Sunset Honda
Hayward Lumber	Tackle Warehouse
Home Depot	Target
JB Dewar Exxon Distributor	Tennis Warehouse
Madonna Inn	Toyota of San Luis Obispo
	Verizon Wireless
	Vons

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$10,949,247	\$12,053,267
County Pool	1,634,327	1,771,889
State Pool	6,921	6,291
<b>Gross Receipts</b>	<b>\$12,590,494</b>	<b>\$13,831,446</b>
<b>Measure G</b>	<b>\$5,750,446</b>	<b>\$6,473,046</b>

**Statewide Results**

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

**Slower Growth Ahead?**

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

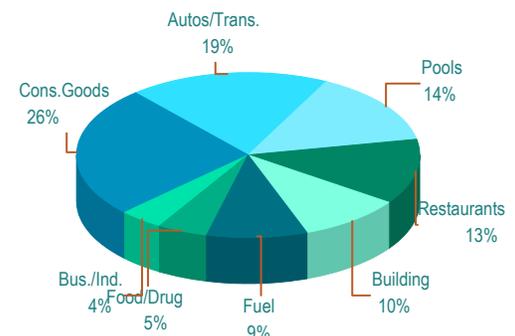
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
San Luis Obispo This Quarter



**SAN LUIS OBISPO TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	San Luis Obispo Q1 '19*	Change	County Change	HdL State Change
Building Materials	213.5	1.2%	-4.0%	4.0%
Casual Dining	308.0	12.9%	10.9%	13.3%
Contractors	80.4	-22.1%	-13.5%	4.8%
Discount Dept Stores	— CONFIDENTIAL —		0.9%	2.8%
Electronics/Appliance Stores	135.9	-3.9%	2.9%	-3.3%
Family Apparel	92.8	0.0%	2.5%	7.1%
Grocery Stores	111.7	25.6%	29.1%	25.7%
Home Furnishings	90.9	-7.1%	-6.8%	3.3%
New Motor Vehicle Dealers	602.0	-3.1%	-2.8%	-1.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —		123.1%	18.2%
Plumbing/Electrical Supplies	98.8	-7.3%	-8.1%	4.6%
Quick-Service Restaurants	80.8	9.4%	8.5%	10.0%
Service Stations	201.9	-5.2%	7.8%	15.7%
Specialty Stores	91.7	18.8%	17.7%	23.4%
Sporting Goods/Bike Stores	150.5	-5.4%	-3.8%	2.7%
<b>Total All Accounts</b>	<b>3,588.8</b>	<b>7.0%</b>	<b>16.5%</b>	<b>13.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>599.3</b>	<b>13.3%</b>	<b>23.3%</b>	<b>23.8%</b>
<b>Gross Receipts</b>	<b>4,188.1</b>	<b>7.9%</b>	<b>17.4%</b>	<b>14.9%</b>