

Q3 2019



San Luis Obispo Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

San Luis Obispo In Brief

San Luis Obispo's receipts from July through September were 8.2% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were up 1.4%.

A spike in economically sensitive business-industrial returns was the largest factor in the improvement.

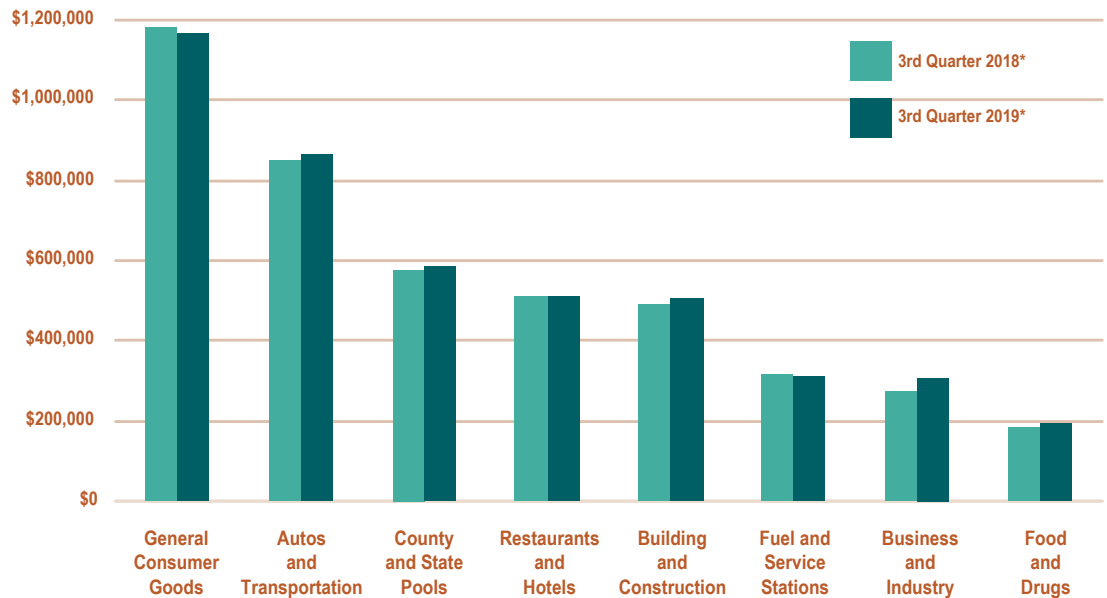
New car sales also grew +4%, outperforming the -7% statewide trend.

Home furnishing sales were lower, however. Close-outs also reduced returns from local auto repair shops.

Measure G, San Luis Obispo's voter-approved half-cent transaction tax, generated an additional \$2,119,000. After adjusting for anomalies in payment timing, results were 3.8% lower compared to last year, though a payment anomaly appears to have artificially depressed these returns.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 1.0% over the comparable time period; the Central Coast region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|--------------------------------------|----------------------------|
| Alfano Motorcars | JB Dewar Exxon Distributor |
| 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 | Ross |
| Jeep Cole Mazda | Shell |
| Conserv Fuel | Smith Volvo |
| Consolidated Electrical Distributors | Sunset Honda |
| Costco | Tackle Warehouse |
| Ferguson Enterprises | Target |
| Hayward Lumber | Tennis Warehouse |
| Home Depot | Toyota of San Luis Obispo |
| | United Rentals |

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

| | 2018-19 | 2019-20 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$4,375,959 | \$3,948,089 |
| County Pool | 602,408 | 623,946 |
| State Pool | 2,250 | 1,565 |
| Gross Receipts | \$4,980,616 | \$4,573,600 |
| Measure G | \$2,364,347 | \$2,119,167 |

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

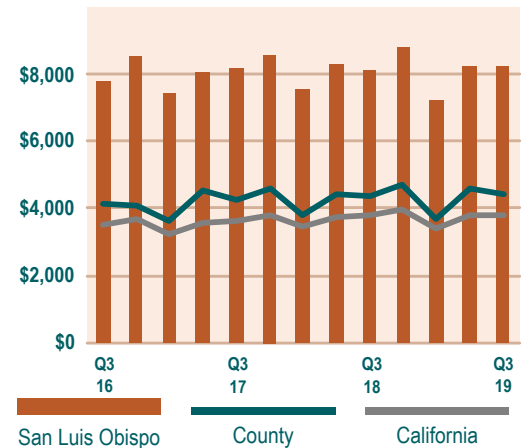
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

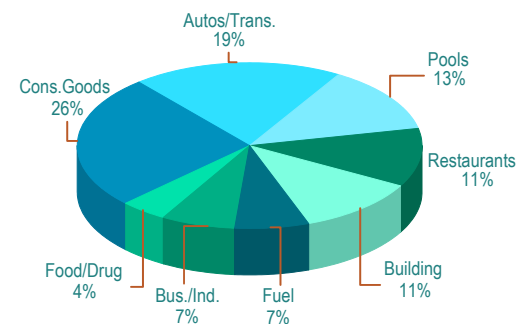
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP San Luis Obispo This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

SAN LUIS OBISPO TOP 15 BUSINESS TYPES**

| Business Type | *In thousands of dollars | | | |
|---|--------------------------|-------------|---------------|------------------|
| | San Luis Obispo Q3 '19* | Change | County Change | HdL State Change |
| Building Materials | 243.4 | 0.5% | -3.8% | 0.2% |
| Casual Dining | 280.1 | -2.3% | -2.4% | 2.3% |
| Contractors | 116.1 | 3.5% | 6.5% | 2.6% |
| Discount Dept Stores | — CONFIDENTIAL — | | | |
| Electronics/Appliance Stores | 143.6 | 0.3% | -0.3% | -3.2% |
| Family Apparel | 112.7 | 10.4% | 4.3% | 1.5% |
| Fast-Casual Restaurants | 81.2 | 5.0% | 11.8% | 5.1% |
| Grocery Stores | 116.3 | 4.7% | 4.6% | 1.7% |
| Home Furnishings | 100.0 | -6.8% | -9.5% | -1.0% |
| New Motor Vehicle Dealers | 662.0 | 3.6% | 4.2% | -7.2% |
| Plumbing/Electrical Supplies | 119.3 | 4.1% | 6.8% | 4.3% |
| Quick-Service Restaurants | 82.6 | 1.5% | 3.4% | 2.6% |
| Service Stations | 248.7 | -1.4% | -1.2% | -1.5% |
| Specialty Stores | 74.6 | -6.2% | -9.3% | 0.3% |
| Sporting Goods/Bike Stores | 153.2 | -3.4% | -1.5% | -1.3% |
| Total All Accounts | 3,861.0 | 1.4% | 1.6% | 0.2% |
| County & State Pool Allocation | 585.0 | 1.5% | -2.3% | 14.9% |
| Gross Receipts | 4,446.1 | 1.4% | 1.0% | 2.3% |

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.