

# Q4 2019



# San Luis Obispo Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## San Luis Obispo In Brief

San Luis Obispo's receipts from October through December were 4.1% above the fourth sales period in 2018. Excluding aberrations, actual sales were up 1.2%.

Like most agencies across the state, the increase in actual sales came solely from a 18.0% increase in the City's allocation from the countywide use tax pool. State-wide, pool results accounted for 95% of all sales tax growth, boosted by sharply higher receipts from on-line shopping as a result of the Wayfair decision and implementation of the marketplace facilitator provision that required additional out of state companies to collect sales tax. The City's point of sale actual results were down 1.5%.

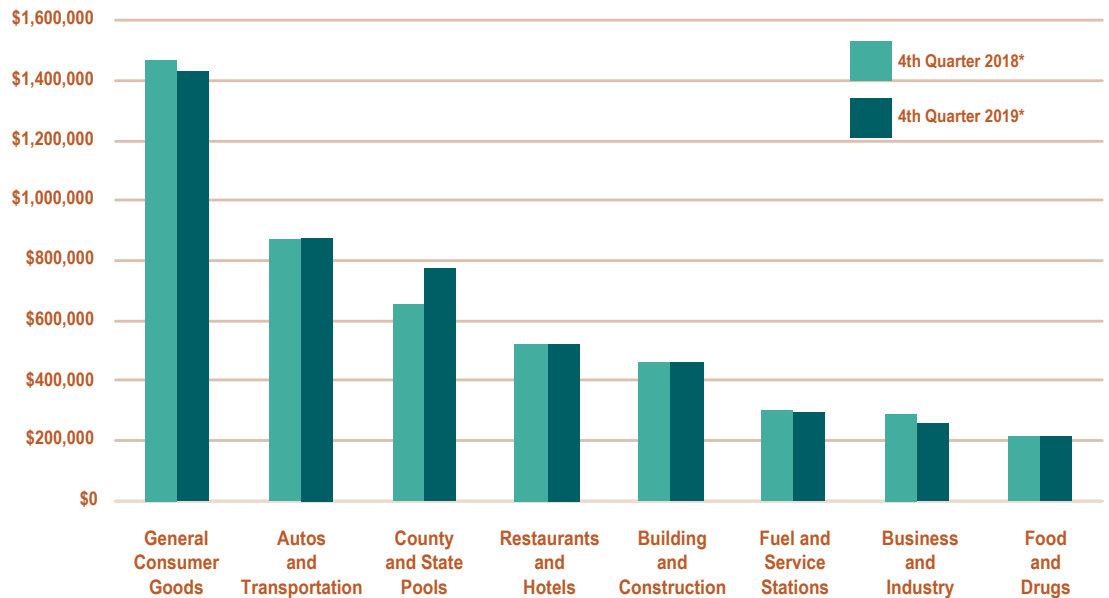
General retail sales were down 2.6%, while fuel sales were 2.7% lower. Payment anomalies caused a 9.6% decline in business and industry.

Gains were modest. New auto sales posted a 2.2% increase, while the restaurant group and building and construction were up 0.3% and 0.2%, respectively.

The Measure G one-half cent transaction tax added \$2,206,853, down 2.1% from prior year sales.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 2.6% over the comparable time period; the Central Coast region was up 0.8%.

## 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 Chevrolet	Kohls
Apple	Madonna Inn
Best Buy	Perry Ford Lincoln Volkswagen
Chevron	Rancho Grande Motors Buick GMC Hyundai Subaru
Coast BMW Nissan	
Cole Chrysler Dodge Jeep Cole Mazda	
Conserv Fuel	Ross
Consolidated Electrical Distributors	Shell
Costco	Smith Volvo
Ferguson Enterprises	Sunset Honda
Hayward Lumber	Tackle Warehouse
Home Depot	Target
	Toyota San Luis Obispo

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$8,464,449	\$8,076,202
County Pool	1,174,634	1,347,735
State Pool	4,229	3,589
<b>Gross Receipts</b>	<b>\$9,643,313</b>	<b>\$9,427,525</b>
<b>Measure G</b>	<b>\$4,553,422</b>	<b>\$4,337,211</b>

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

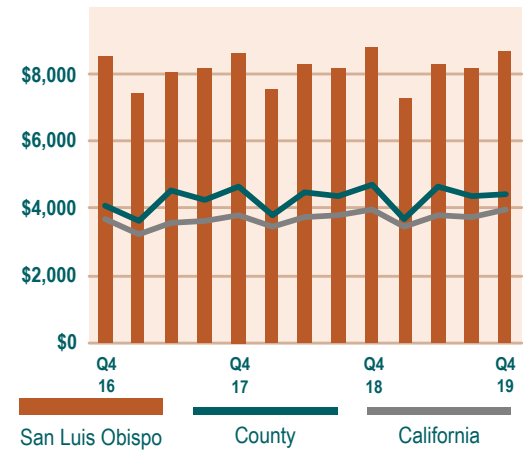
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

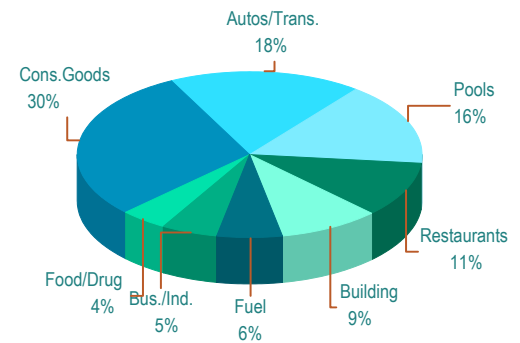
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**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 Q4 '19*	San Luis Obispo Change	County Change	HdL State Change
Building Materials	229.4	3.1%	2.3%	1.4%
Casual Dining	281.3	-0.5%	0.5%	3.8%
Contractors	88.5	-5.4%	-3.5%	-4.4%
Discount Dept Stores	—	CONFIDENTIAL	1.9%	3.6%
Electronics/Appliance Stores	180.9	2.2%	0.2%	-6.6%
Family Apparel	129.1	6.1%	3.2%	1.3%
Fast-Casual Restaurants	85.5	7.1%	9.9%	4.3%
Grocery Stores	132.8	3.2%	3.8%	1.3%
Home Furnishings	108.5	-8.8%	-11.1%	-2.1%
New Motor Vehicle Dealers	692.4	2.5%	0.1%	-3.4%
Plumbing/Electrical Supplies	118.5	-2.0%	2.0%	-0.6%
Quick-Service Restaurants	86.5	3.1%	2.8%	1.9%
Service Stations	241.7	3.5%	2.6%	0.2%
Specialty Stores	88.8	-7.8%	-9.0%	-3.8%
Sporting Goods/Bike Stores	166.0	4.5%	1.9%	-3.1%
<b>Total All Accounts</b>	<b>4,062.5</b>	<b>-1.5%</b>	<b>-6.0%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>774.2</b>	<b>17.9%</b>	<b>19.7%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>4,836.7</b>	<b>1.2%</b>	<b>-2.6%</b>	<b>4.2%</b>

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