

CITY OF SAN LUIS OBISPO

SALES TAX UPDATE

1Q 2023 (JANUARY - MARCH)



SAN LUIS OBISPO

TOTAL: \$ 5,109,997

-3.7%

1Q2023



-8.3%

COUNTY



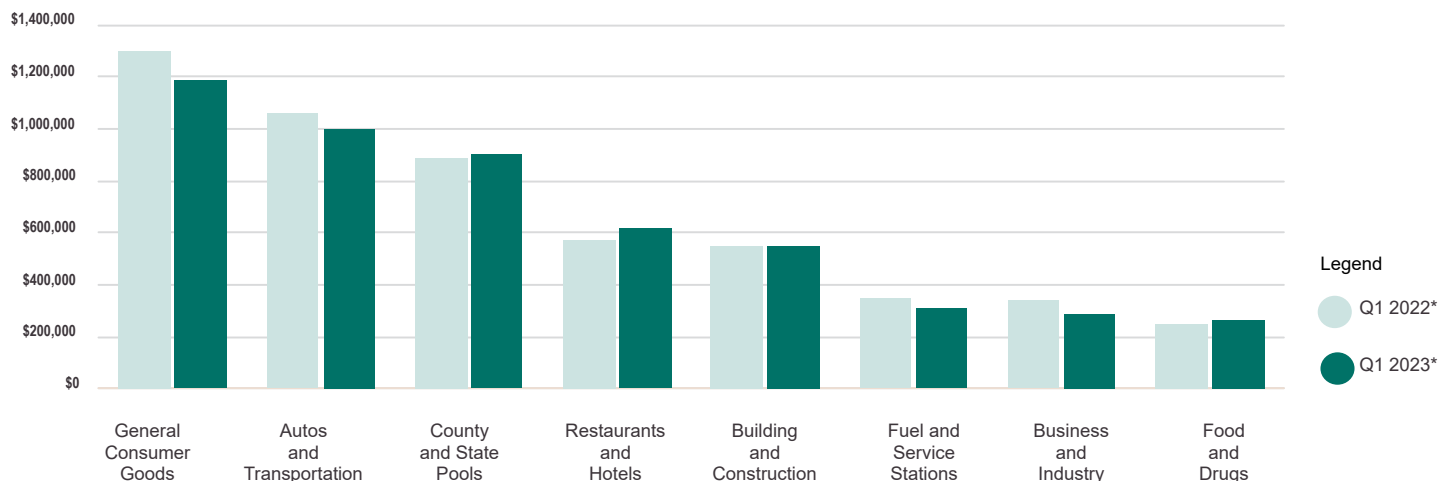
-1.1%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Measure G20

TOTAL: \$6,842,945

↓ -1.8%



CITY OF SAN LUIS OBISPO HIGHLIGHTS

San Luis Obispo's receipts from January through March were 4.7% above the first sales period in 2022, this included some large late payments. Excluding reporting aberrations, actual sales were down 3.7%.

The uncertain economic outlook impacted spending choices as consumers and businesses dealt with higher prices for energy, food, housing, and interest rates with Federal Reserve policy moves to curb inflation. New vehicle purchases stalled with rising lending rates/monthly payments. Lower prices at the pump after the record levels last spring drove down fuel-service station receipts.

a drop in lumber prices from last year meant sluggish sales for building materials, although higher level contractor

activity was reported. Business-industry returns diminished as companies slowed capital investment spending and product demand tapered off.

Patrons boosted restaurant receipts even with rising menu prices. Customers are still enjoying the experience of dining out and socializing, but industry operators indicate fewer visits with gains more from pricing factors as a result of labor and food costs.

Measure G-20 posted modest declines from building materials, service stations and new-used vehicles purchased/registered in the City. Net of aberrations, the Central Coast region was down 3.7% over the comparable time period.



TOP 25 PRODUCERS

- | | |
|----------------------------|----------------------------------|
| Apple | Martin Marietta |
| Best Buy | Megans Organic Market |
| Chevron | Mercedes Benz Of San Luis Obispo |
| Coast Nissan | Perry Ford Lincoln |
| Cole Chrysler Dodge | Volkswagen |
| Jeep Cole Mazda | Porsche San Luis Obispo |
| Conserv Fuel | Rancho Grande Motors |
| Costco | Subaru Of San Luis Obispo |
| Ferguson Enterprises | Sunset Honda |
| Greentech Renewables | Target |
| Hayward Lumber | Toyota San Luis Obispo |
| Home Depot | United Rentals |
| Hyundai San Luis Obispo | Vons |
| JB Dewar Exxon Distributor | |
| Madonna Inn | |

HdL Companies

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STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC’s recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods’ returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

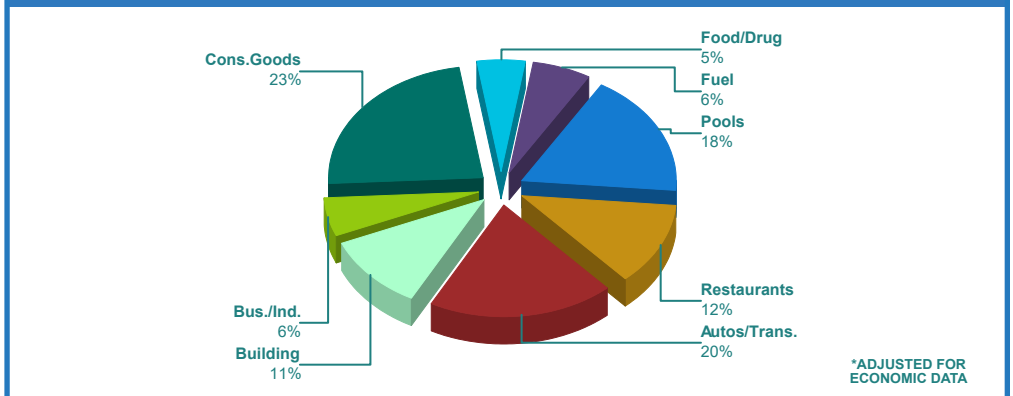
of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve’s actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

REVENUE BY BUSINESS GROUP San Luis Obispo This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Luis Obispo Business Type	Q1 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	802.6	-6.7% ↓	-7.7% ↓	0.8% ↑
Casual Dining	336.0	-0.4% ↓	-7.5% ↓	9.6% ↑
Building Materials	253.9	-3.8% ↓	-13.5% ↓	-9.8% ↓
Service Stations	243.7	-11.7% ↓	-6.8% ↓	-9.8% ↓
Contractors	154.8	7.3% ↑	-19.0% ↓	-12.7% ↓
Electronics/Appliance Stores	141.3	1.5% ↑	2.5% ↑	-2.4% ↓
Sporting Goods/Bike Stores	136.0	-17.0% ↓	-16.6% ↓	-8.1% ↓
Grocery Stores	125.3	6.2% ↑	5.4% ↑	5.4% ↑
Plumbing/Electrical Supplies	121.5	0.4% ↑	1.6% ↑	-4.3% ↓
Fast-Casual Restaurants	97.0	13.2% ↑	-0.5% ↓	6.4% ↑

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars