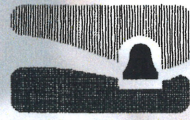


Q3 2014



San Luis Obispo Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

San Luis Obispo In Brief

Receipts for San Luis Obispo's July through September sales were 1.2% higher than the same quarter one year ago. Actual sales increased 3.7% when accounting anomalies were excluded.

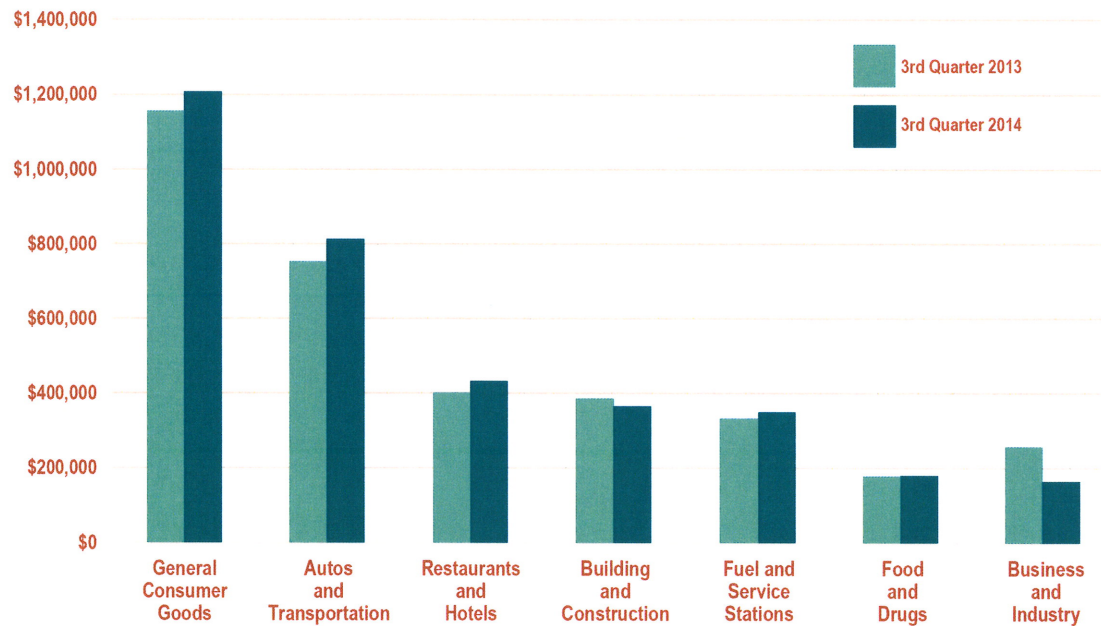
The city experienced solid sales from both new and used car dealers and gains from multiple categories of general consumer goods, including home furnishings which benefited from a new outlet. Payment aberrations that affected one or both quarters overstated increases from restaurants and service stations.

Net of reporting aberrations, business and industry group sales slipped 2.5%, primarily due to the receipt of a onetime use tax allocation for an equipment purchase in last year's comparison period. A year-ago adjustment depressed results from lumber/building materials; actual sales activity was up 4.0%.

In addition to the amounts discussed above, Measure Y generated \$1,796,643 for the quarter, including \$66,637 due from other periods.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County increased 9.3% over the same period; Central Coast regional totals were 5.4% higher.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alfano Motorcars	Hayward Lumber
Mercedes Benz	Home Depot
Chevrolet	JB Dewar Exxon Distributor
Apple	Kohls
Bed Bath & Beyond	Laguna Shell & Madonna Shell
Best Buy	Madonna Inn
Chevron	Perry Ford Lincoln
Coast BMW Nissan	Sears
Cole Chrysler Dodge Jeep Cole Mazda	Sunset Auto Sales
Conserv Fuel	Target
Costco	Tennis Warehouse
Cuesta Cadillac	Tesoro Refining & Marketing
Saab Rancho Grande Motors	Toyota of San Luis Obispo
Edna Valley Shell	
Ferguson Enterprises	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$3,459,870	\$3,508,658
County Pool	385,621	382,281
State Pool	1,301	2,379
Gross Receipts	\$3,846,792	\$3,893,318
Less Triple Flip*	\$(961,698)	\$(973,330)
Measure Y	\$1,703,252	\$1,796,643

*Reimbursed from county compensation fund

California Overall

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

The Impact of Falling Gas Prices on Sales Tax

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

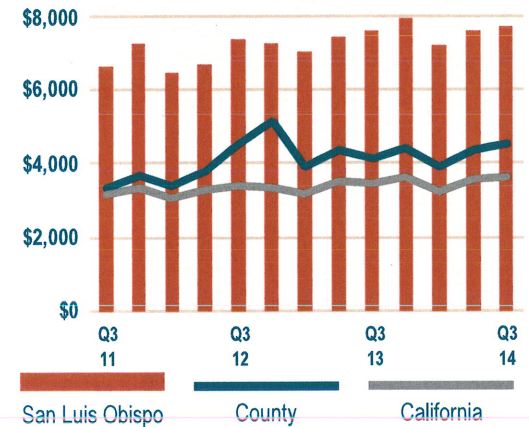
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

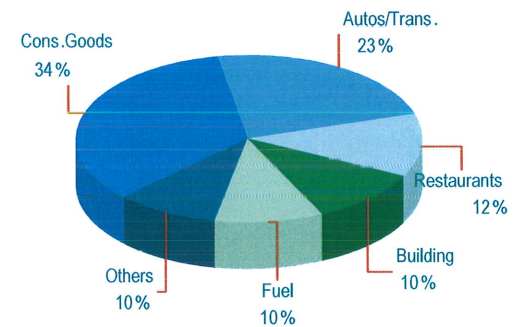
Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
San Luis Obispo This Quarter



SAN LUIS OBISPO TOP 15 BUSINESS TYPES

Business Type	San Luis Obispo		County	HdL State
	Q3 '14*	Change	Change	Change
Casual Dining	242.1	6.4%	9.7%	5.9%
Discount Dept Stores	— CONFIDENTIAL —		3.1%	2.5%
Electronics/Appliance Stores	142.7	0.0%	1.4%	3.0%
Family Apparel	105.3	1.8%	0.9%	5.9%
Grocery Stores Liquor	70.1	-0.2%	2.1%	8.8%
Home Furnishings	100.4	6.3%	4.4%	6.4%
Lumber/Building Materials	192.5	-12.4%	11.2%	4.3%
New Motor Vehicle Dealers	635.2	6.5%	7.6%	8.0%
Petroleum Prod/Equipment	— CONFIDENTIAL —		-4.1%	4.6%
Plumbing/Electrical Supplies	88.5	7.6%	6.1%	10.2%
Quick-Service Restaurants	70.1	5.5%	5.2%	8.5%
Service Stations	279.6	7.4%	1.3%	1.2%
Specialty Stores	91.1	5.8%	10.9%	6.2%
Sporting Goods/Bike Stores	148.3	2.6%	1.1%	0.6%
Women's Apparel	59.4	2.8%	-4.5%	-1.1%
Total All Accounts	\$3,508.7	1.4%	10.3%	5.5%
County & State Pool Allocation	\$384.7	-0.6%	8.1%	10.2%
Gross Receipts	\$3,893.3	1.2%	10.0%	6.1%