

Q4 2018



City of Pismo Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Pismo Beach In Brief

Pismo Beach's receipts from October through December were 9.7% above the fourth sales period in 2017 though results were overstated by aberrations. This includes a large use tax payment for an out-of-state purchase that was made in a preceding period by a local customer. In addition, numerous catch-up payments, particularly for local quick-service restaurants, had been delayed by the State's recent transition to a new software and reporting system. Adjusted for proper payment timing, actual sales were up 0.3%.

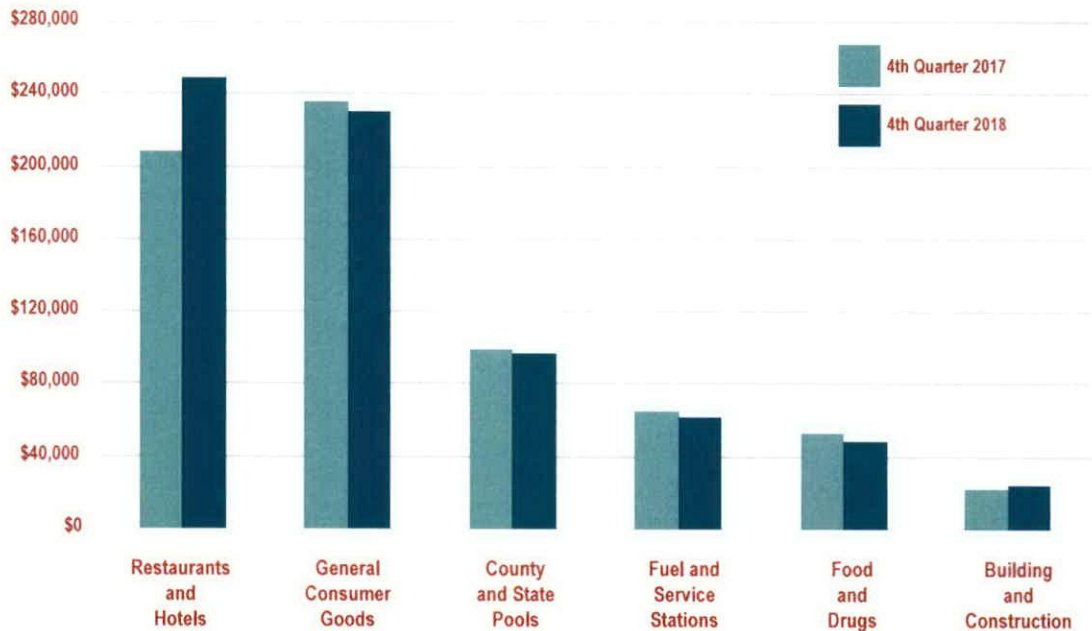
Several new openings lifted the casual dining and hotel categories. Tourism continues to be robust and the City's newly renovated pier, which reopened to the public in October, further enhances the City's appeal as a prime vacation destination.

Building construction returns were impacted by the recent close-out of a local supplier.

Proceeds from Measure I added an additional \$404,000 to the amounts previously discussed. This was an increase of 1.0% after adjusting for payment aberrations, a similar rate of performance as the City's sales tax.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 6.8% over the comparable time period; the Central Coast region was down 0.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Miller 76
California Fresh Market	Nike
Calvin Klein	Norman Wright Duckworth Mechanical
Carters	Pacific Coast RV
Chevron	Ralph Lauren
Cliffs at Shell Beach	Ross
Coach	Sky River RV
CVS Pharmacy	Splash Cafe
F McLintocks Saloon	Spyglass Shell
General Electric	Vans
GH Bass & Co	Ventana Grill
Giuseppes Cucina	Wooly's Oyster Loft
Levis Outlet	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$1,358,010	\$1,547,842
County Pool	195,027	214,661
State Pool	757	775
Gross Receipts	\$1,553,795	\$1,763,278
Measure I	\$804,817	\$896,453

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

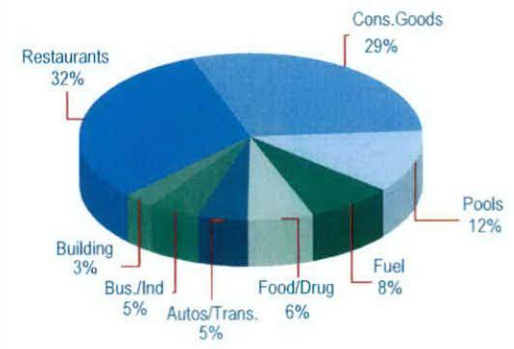
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pismo Beach This Quarter



PISMO BEACH TOP 15 BUSINESS TYPES

Business Type	Pismo Beach		County	HdL State
	Q4 '18	Change	Change	Change
Casual Dining	150,148	18.7%	6.6%	2.5%
Contractors	— CONFIDENTIAL —	—	-7.0%	17.3%
Drug Stores	— CONFIDENTIAL —	—	1.6%	21.9%
Electrical Equipment	— CONFIDENTIAL —	—	88.1%	-1.2%
Family Apparel	95,266	-9.3%	-6.1%	0.5%
Fine Dining	— CONFIDENTIAL —	—	2.9%	6.7%
Grocery Stores	— CONFIDENTIAL —	—	-11.1%	-11.7%
Hotels-Liquor	33,841	7.0%	12.7%	7.2%
Quick-Service Restaurants	45,162	62.1%	7.9%	6.6%
Service Stations	61,496	-4.8%	39.7%	28.5%
Shoe Stores	45,597	-3.4%	-1.9%	1.8%
Specialty Stores	17,602	4.7%	1.7%	-10.7%
Sporting Goods/Bike Stores	13,985	-2.9%	0.2%	-2.3%
Trailers/RVs	— CONFIDENTIAL —	—	17.1%	3.3%
Women's Apparel	31,421	-3.5%	-10.8%	-3.6%
Total All Accounts	687,889	11.7%	4.8%	7.0%
County & State Pool Allocation	96,610	-2.8%	-8.9%	8.6%
Gross Receipts	784,499	9.7%	2.9%	7.2%