

Q3 2017



City of Pismo Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Pismo Beach In Brief

Pismo Beach's receipts from July through September were 0.4% below the third sales period in 2016. Excluding reporting aberrations, actual sales were down 1.8%.

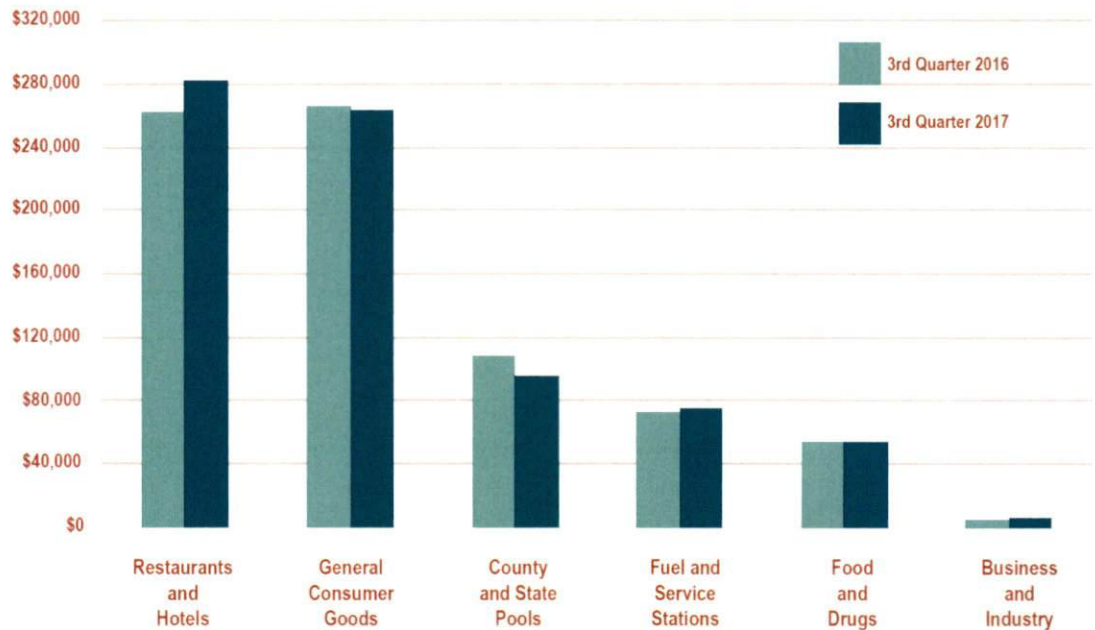
Weak summer sales by multiple merchants including women's and family apparel outlets pulled receipts lower. A decrease in the countywide pool amount due to onetime allocations from energy projects in the prior year further impacted the overall results.

Greater variety and creative new dining concepts continue to improve interest in eating out and therefore positively impacted casual dining and quick-service restaurant returns. Higher global crude oil prices combined with regular seasonal consumption led to solid gains by service stations, mostly offsetting the losses.

The City's voter approved half-cent transaction tax, Measure I, generated an additional \$431,864, keeping revenue flat compared to last year. Onetime allocations which exaggerated the prior period led to the lackluster results.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 1.5% over the comparable time period; the Central Coast region was up 4.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Orchard Supply Hardware
Brads Restaurant	Oshkosh B Gosh
California Fresh Market	Panchos Surf Shop
Calvin Klein	Ralph Lauren
Chevron	Ross
Cliffs at Shell Beach	Sea Venture Resort
Cool Cat Cafe	Skechers
Cracked Crab	Sky River RV
Dolphin Bay Lido Restaurant	Splash Cafe
F McLintocks Saloon	Spyglass Shell
Levis Outlet	Ventana Grill
Miller 76	Wooly's Oyster Loft
Nike	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,402,294	\$1,431,051
County Pool	206,291	169,723
State Pool	489	226
Gross Receipts	\$1,609,073	\$1,600,999
Measure I	\$810,621	\$837,202

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

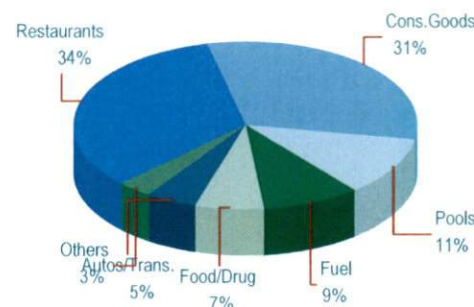
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Pismo Beach This Quarter



PISMO BEACH TOP 15 BUSINESS TYPES

Business Type	Pismo Beach		County	HdL State
	Q3 '17	Change	Change	Change
Building Materials	—	CONFIDENTIAL	10.0%	5.6%
Casual Dining	175,561	5.5%	3.4%	2.5%
Convenience Stores/Liquor	17,269	-7.9%	11.5%	7.8%
Drug Stores	—	CONFIDENTIAL	17.7%	7.3%
Family Apparel	128,331	-1.9%	2.9%	1.6%
Fine Dining	—	CONFIDENTIAL	-5.1%	8.2%
Grocery Stores	—	CONFIDENTIAL	4.5%	0.6%
Hotels-Liquor	37,314	19.1%	-3.6%	4.8%
Quick-Service Restaurants	42,094	2.5%	-1.3%	4.8%
Service Stations	76,119	4.5%	7.3%	9.2%
Shoe Stores	59,185	10.2%	0.9%	-1.0%
Specialty Stores	15,770	-0.2%	2.4%	2.2%
Sporting Goods/Bike Stores	—	CONFIDENTIAL	-1.4%	-9.6%
Trailers/RVs	—	CONFIDENTIAL	0.2%	5.4%
Women's Apparel	31,711	-13.9%	-6.3%	-12.3%
Total All Accounts	742,351	1.2%	2.5%	4.1%
County & State Pool Allocation	96,349	-11.0%	-9.8%	4.8%
Gross Receipts	838,700	-0.4%	0.9%	4.2%