

Q1 2018



City of Pismo Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Pismo Beach In Brief

Pismo Beach's receipts from January through March were 8.1% above the first sales period in 2017. Excluding reporting aberrations, actual sales were up 11.7%, the second fastest rate of growth in San Luis Obispo County.

The primary factor in the strong performance was higher restaurant and hotel receipts, boosted by the opening of new casual dining eateries and a hotel. The reported growth rate in hotel receipts was inflated, however, by payment aberrations.

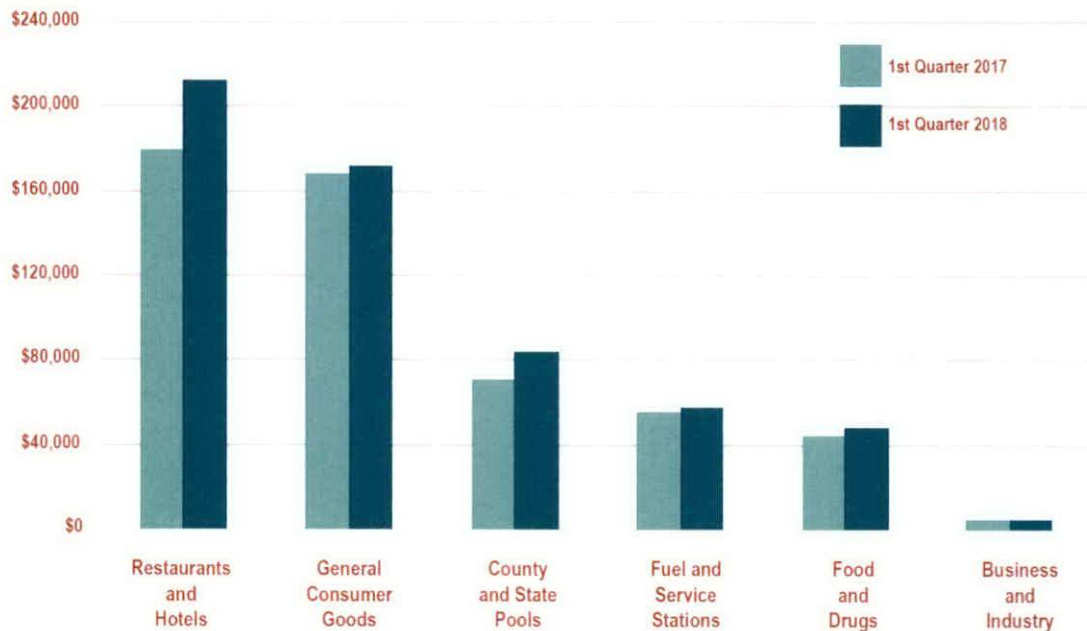
Family apparel sales were stronger, though progress was hampered by lower women's apparel tax revenue. This decline was exaggerated by a payment delay, however, resulting from the State's recent transition to a new reporting and software system. The late remittance is expected to be received next quarter.

Countywide use tax pool proceeds were higher with the City receiving a larger share of these funds based on its performance.

Proceeds from Measure I added an additional \$329,000 to the amounts previously discussed.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 5.6% over the comparable time period; the Central Coast region was up 5.2%.

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	Rite Aid
Chevron	Ross
Cliffs at Shell Beach	Shell Beach Brewhouse
Coach	Sky River RV
Cracked Crab	Splash Cafe
CVS Pharmacy	Spyglass Shell
F McLintocks Saloon	Vans
Flagship	Ventana Grill
Miller 76	Wooly's Oyster Loft
Nike	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,512,973	\$2,582,428
County Pool	368,733	352,999
State Pool	1,825	877
Gross Receipts	\$2,883,531	\$2,936,304
Measure I	\$1,498,357	\$1,539,374

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

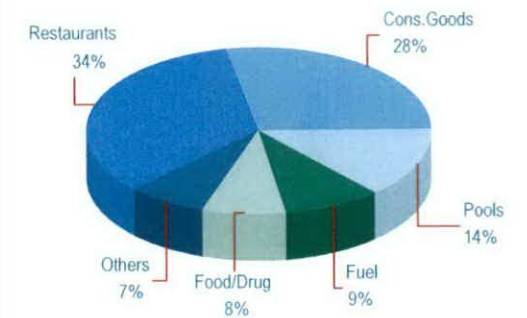
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pismo Beach This Quarter



PISMO BEACH TOP 15 BUSINESS TYPES

Business Type	Pismo Beach		County	HdL State
	Q1 '18	Change	Change	Change
Building Materials	— CONFIDENTIAL —		7.2%	3.8%
Casual Dining	132,649	19.6%	-1.3%	-2.0%
Convenience Stores/Liquor	11,009	7.1%	1.3%	0.5%
Drug Stores	— CONFIDENTIAL —		-5.6%	-27.9%
Family Apparel	81,259	13.9%	11.3%	8.2%
Fine Dining	— CONFIDENTIAL —		17.9%	5.5%
Grocery Stores	— CONFIDENTIAL —		-4.0%	1.9%
Hotels-Liquor	30,009	65.2%	13.3%	4.0%
Quick-Service Restaurants	28,809	-6.0%	-8.3%	-3.8%
Service Stations	57,478	2.6%	8.3%	4.6%
Shoe Stores	37,694	7.7%	62.1%	0.2%
Specialty Stores	12,266	-16.3%	-13.2%	-10.0%
Sporting Goods/Bike Stores	— CONFIDENTIAL —		0.2%	1.4%
Trailers/RVs	— CONFIDENTIAL —		26.2%	8.4%
Women's Apparel	21,978	-16.6%	-9.3%	-6.7%
Total All Accounts	535,717	6.5%	-7.5%	-1.8%
County & State Pool Allocation	84,493	20.0%	4.3%	-2.1%
Gross Receipts	620,210	8.1%	-6.0%	-1.8%