

Q4 2019



City of Pismo Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Pismo Beach In Brief

Pismo Beach's receipts from October through December were 6.2% below the fourth sales period in 2018. Excluding aberrations, actual sales were down 2.4%.

A 2.2% drop at the factory outlet center and a onetime payment that inflated home furnishings in the prior year caused a 4.6% decline in general retail sales. Fuel sales were down 3.6%, while a prior business closeout depressed building and construction. The automotive group was down 18.2%.

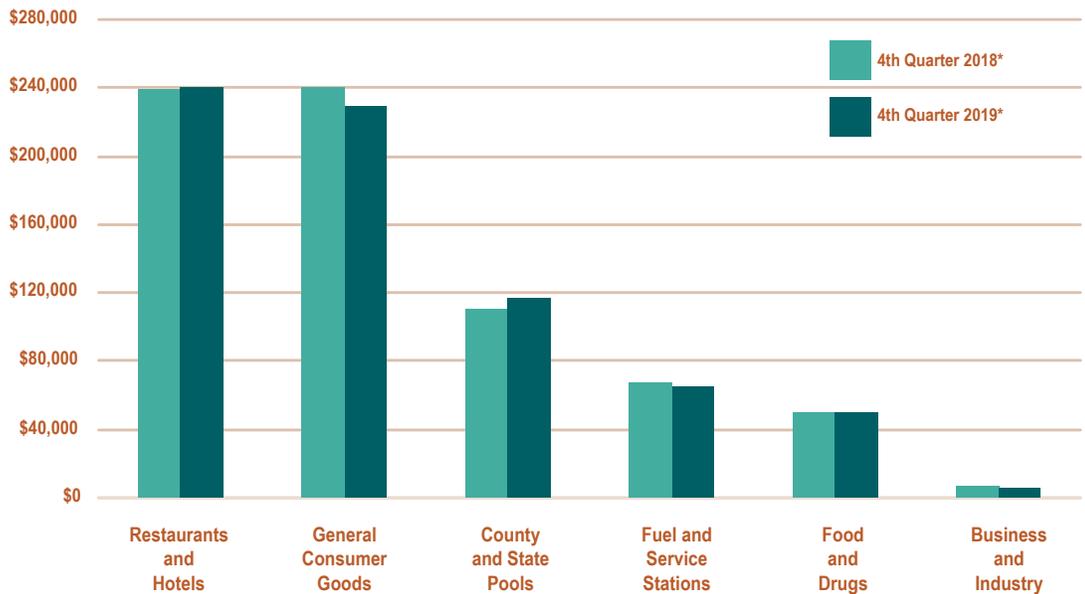
A 9.5% drop in quick-service eateries and a onetime payment in the prior year in the hotel segment offset gains in most dining out categories. The restaurant and hotel group was 0.5% higher

The City's allocation from the county-wide use tax pool increased 6.3%, boosted by sharply higher receipts from online shopping as a result of the Wayfair decision and implementation of the marketplace facilitator provision that required additional out of state companies to collect sales tax.

The Measure I one-half cent transaction tax generated an additional \$401,983, up 2.4% over prior year sales.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 2.6% over the comparable time period; the Central Coast region was up 0.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Miller 76
California Fresh Market	Nike
Calvin Klein	Panchos Surf Shop
Carters	Ralph Lauren
Chevron	Rite Aid
Cliffs at Shell Beach	Ross
Coach	Sky River RV
Cracked Crab	Splash Cafe
CVS Pharmacy	Spyglass Shell
Dolphin Bay Lido Restaurant	Vans
Giuseppes Cucina	Ventana Grill
Levis Outlet	Wooly's Oyster Loft
McDonalds	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$1,547,842	\$1,395,788
County Pool	214,661	231,409
State Pool	775	612
Gross Receipts	\$1,763,278	\$1,627,809
Measure I	\$896,453	\$853,116

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

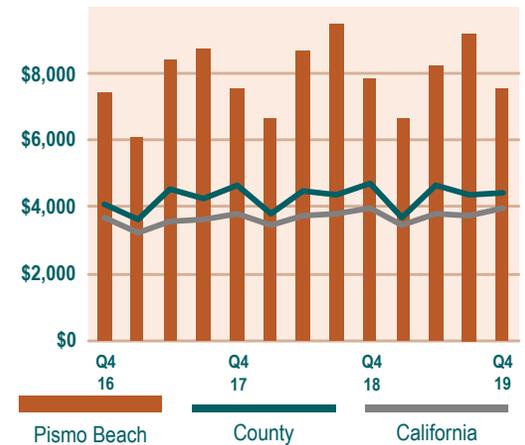
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

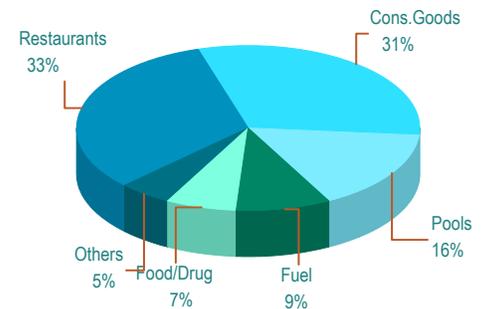
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Pismo Beach This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

PISMO BEACH TOP 15 BUSINESS TYPES**

Business Type	Pismo Beach		County	HdL State
	Q4 '19	Change	Change	Change
Casual Dining	145,190	4.4%	0.5%	3.8%
Convenience Stores/Liquor	11,634	2.7%	-3.3%	-0.1%
Drug Stores	— CONFIDENTIAL —	—	0.6%	-0.7%
Family Apparel	103,412	-0.8%	3.2%	1.3%
Fast-Casual Restaurants	9,712	5.5%	9.9%	4.3%
Fine Dining	— CONFIDENTIAL —	—	3.5%	-2.9%
Grocery Stores	— CONFIDENTIAL —	—	3.8%	1.3%
Hotels-Liquor	37,666	-9.1%	-0.2%	-0.3%
Quick-Service Restaurants	29,967	-9.5%	2.8%	1.9%
Service Stations	64,815	-3.6%	2.6%	0.2%
Shoe Stores	45,140	0.3%	-5.0%	-0.3%
Specialty Stores	12,550	-20.7%	-9.0%	-3.8%
Sporting Goods/Bike Stores	15,928	13.4%	1.9%	-3.1%
Trailers/RVs	— CONFIDENTIAL —	—	-8.5%	-5.7%
Women's Apparel	34,127	-0.8%	0.7%	-4.8%
Total All Accounts	620,641	-3.9%	-6.0%	0.2%
County & State Pool Allocation	117,360	6.2%	19.7%	26.7%
Gross Receipts	738,000	-2.4%	-2.6%	4.2%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.