

Q4 2016



City of Pismo Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Pismo Beach In Brief

Pismo Beach's receipts from October through December were 3.0% above the fourth sales period in 2015. Excluding reporting aberrations, actual sales were up 1.6%.

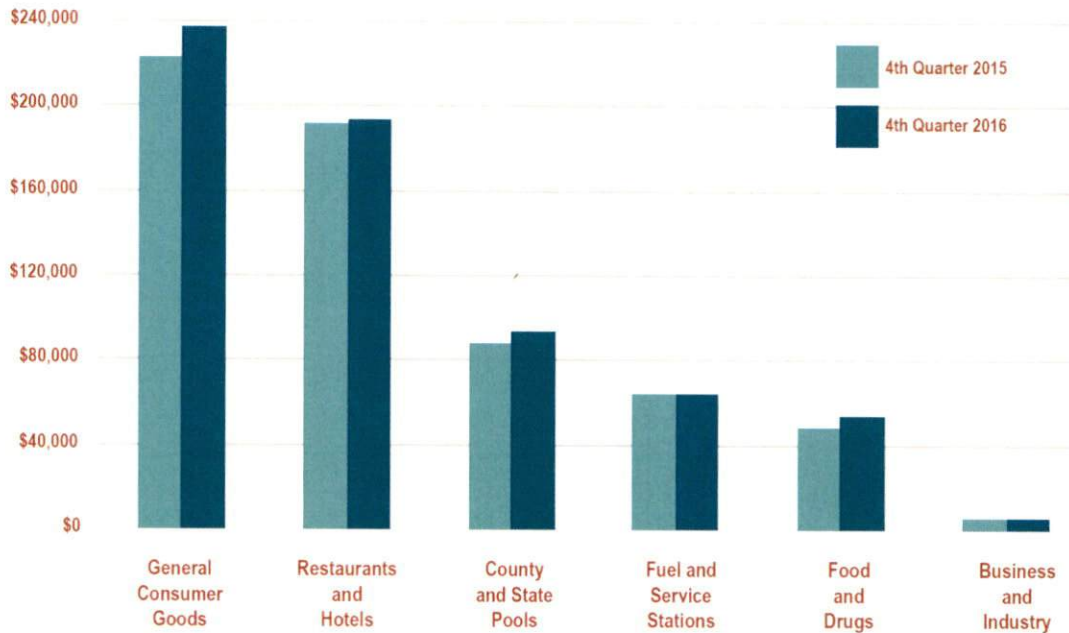
Solid holiday returns from multiple categories, including family apparel, specialty, shoe and sporting goods stores boosted general consumer goods, accounting for 69% of the overall gains. Greater variety and new dining concepts continued to enhance interest in eating out and therefore lifted receipts from restaurants, while a double payment temporarily spiked results from food-drug outlets.

These increases in local point of sale revenue and a rise in capital and online purchases shipped into the region, grew allocations from the countywide use tax pool, further contributing to the positive outcome.

The City's voter approved half-cent transaction tax, Measure I, generated an additional \$368,656, an increase of 1.2% over the prior year.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 0.6% over the comparable time period; the Central Coast region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Miller 76
Aeropostale	Nike
Arco AM PM	Orchard Supply Hardware
California Fresh Market	Oshkosh B Gosh
Calvin Klein	Ralph Lauren
Chevron	Rite Aid
Cliffs at Shell Beach	Ross
Coach	Sky River RV
Cracked Crab	Splash Cafe
CVS Pharmacy	Spyglass Shell
F McLintocks Saloon	Ventana Grill
GH Bass & Co	Wooly's Oyster Loft
Levis Outlet	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,980,921	\$2,009,895
County Pool	261,019	299,029
State Pool	2,039	1,117
Gross Receipts	\$2,243,980	\$2,310,041
Less Triple Flip*	\$(560,995)	\$0
Measure I	\$1,160,790	\$1,179,276

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

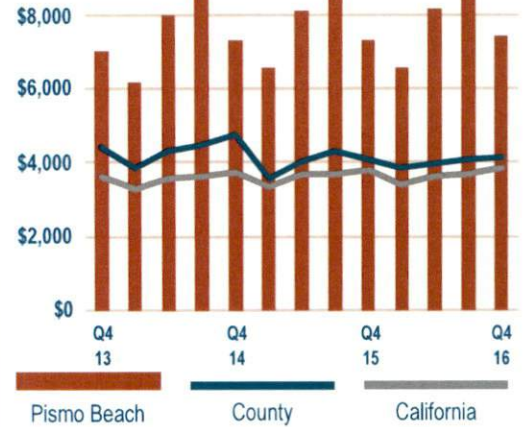
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

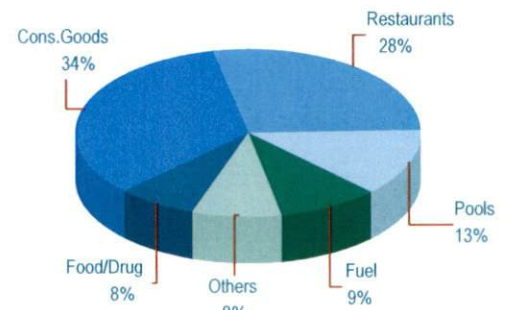
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

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 '16	Change	Change	Change
Building Materials	—	CONFIDENTIAL	2.5%	0.7%
Casual Dining	115,786	1.3%	5.9%	2.7%
Convenience Stores/Liquor	14,179	-2.6%	2.3%	5.0%
Drug Stores	—	CONFIDENTIAL	21.6%	10.2%
Family Apparel	117,167	4.6%	8.3%	4.7%
Fine Dining	—	CONFIDENTIAL	8.5%	11.8%
Grocery Stores	—	CONFIDENTIAL	1.6%	3.9%
Hotels-Liquor	29,044	-3.0%	6.0%	5.8%
Quick-Service Restaurants	29,673	-1.4%	4.6%	5.7%
Service Stations	64,437	0.0%	-1.0%	-1.0%
Shoe Stores	45,211	20.1%	-11.1%	4.5%
Specialty Stores	15,627	20.0%	5.5%	3.6%
Sporting Goods/Bike Stores	8,501	3.4%	-2.1%	0.7%
Trailers/RVs	—	CONFIDENTIAL	23.9%	11.0%
Women's Apparel	35,869	-1.4%	-2.7%	-0.5%
Total All Accounts	607,602	2.5%	1.3%	2.4%
County & State Pool Allocation	93,366	6.5%	5.3%	6.9%
Gross Receipts	700,968	3.0%	1.8%	3.0%