

Q3 2017



City of Paso Robles Sales Tax *Update*

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

Paso Robles In Brief

Paso Robles' receipts from July through September were 0.7% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 2.8%.

Strong summer results by multiple contractors and material suppliers boosted building-construction returns, while higher global crude oil prices combined with regular summer consumption led to fantastic gains by service stations and bulk diesel providers.

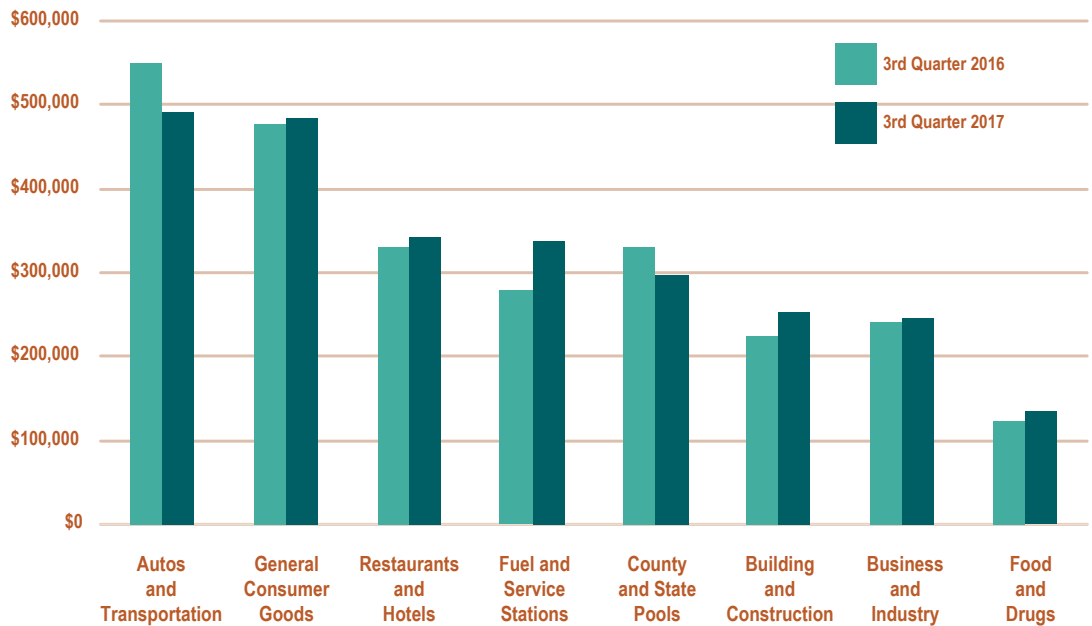
Greater variety and creative new concepts continue to improve consumer interest in eating out and therefore positively impacted returns from restaurants. Increased activity at grocery stores and family apparel retailers further contributed to the positive outcome.

Decreased sales of new cars and trailers-RVs compared to peak activity a year ago partially offset the growth.

The City's voter approved half-cent transaction tax, Measure E-12, generated an additional \$1,250,895, an increase of 3.9% over the prior year, mostly attributed to the same results stated above.

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

ABC Supply	McDonalds
Albertsons	Mullahey Chrysler Dodge Jeep Ram
Arco AM PM	Paso Robles Chevrolet
Big Creek Lumber	Paso Robles Ford
Borjon Auto Center	Ross
Firestone Walker Brewery	San Luis Bay Kia
Golden Hill Mobil	Sky River
Henderson Petroleum Eagle	Smart & Final
Idler's Home	South Paso Chevron
Jaco Oil	Target
JB Dewar	TJ Maxx
Kohls	Walmart
Lowes	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$4,450,203	\$4,741,948
County Pool	654,664	558,775
State Pool	1,551	532
Gross Receipts	\$5,106,418	\$5,301,256
Supplemental Tax	\$2,382,132	\$2,549,329

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.

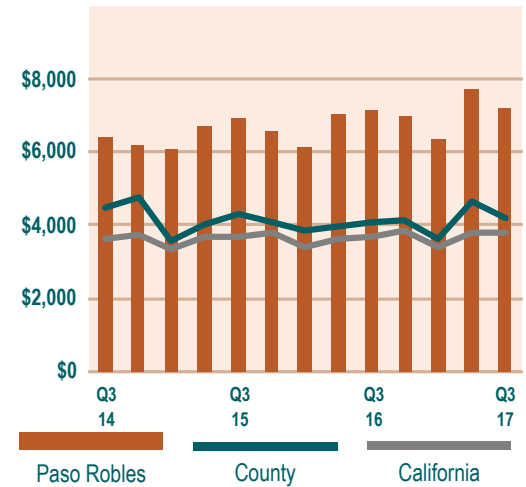
Sales Tax and Natural Disasters

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

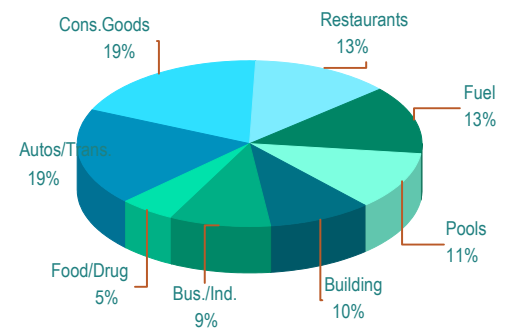
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five 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
Paso Robles This Quarter



PASO ROBLES TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Paso Robles Q3 '17*	Change	County Change	HdL State Change
Automotive Supply Stores	52.2	8.4%	3.4%	3.7%
Building Materials	177.4	6.7%	10.0%	5.6%
Casual Dining	158.5	3.7%	3.4%	2.5%
Contractors	39.1	72.7%	21.4%	6.5%
Discount Dept Stores	— CONFIDENTIAL —		3.3%	6.1%
Electronics/Appliance Stores	42.9	-2.1%	-3.9%	0.4%
Family Apparel	50.9	8.0%	2.9%	1.6%
Garden/Agricultural Supplies	46.4	10.6%	12.9%	10.4%
Grocery Stores	77.9	4.4%	4.5%	0.6%
New Motor Vehicle Dealers	332.4	-10.4%	-2.7%	0.9%
Petroleum Prod/Equipment	89.4	138.6%	29.8%	28.4%
Quick-Service Restaurants	110.1	8.4%	-1.3%	4.8%
Service Stations	247.4	6.4%	7.3%	9.2%
Specialty Stores	37.5	9.5%	2.4%	2.2%
Trailers/RVs	48.9	-9.6%	0.2%	5.4%
Total All Accounts	2,292.6	2.3%	2.5%	4.1%
County & State Pool Allocation	297.6	-10.0%	-9.8%	4.8%
Gross Receipts	2,590.1	0.7%	0.9%	4.2%