

Q2 2016



City of Paso Robles Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Paso Robles In Brief

Paso Robles' receipts from April through June sales were 6.9% higher than the same quarter one year ago. Actual sales activity rose 4.2%, net of accounting anomalies.

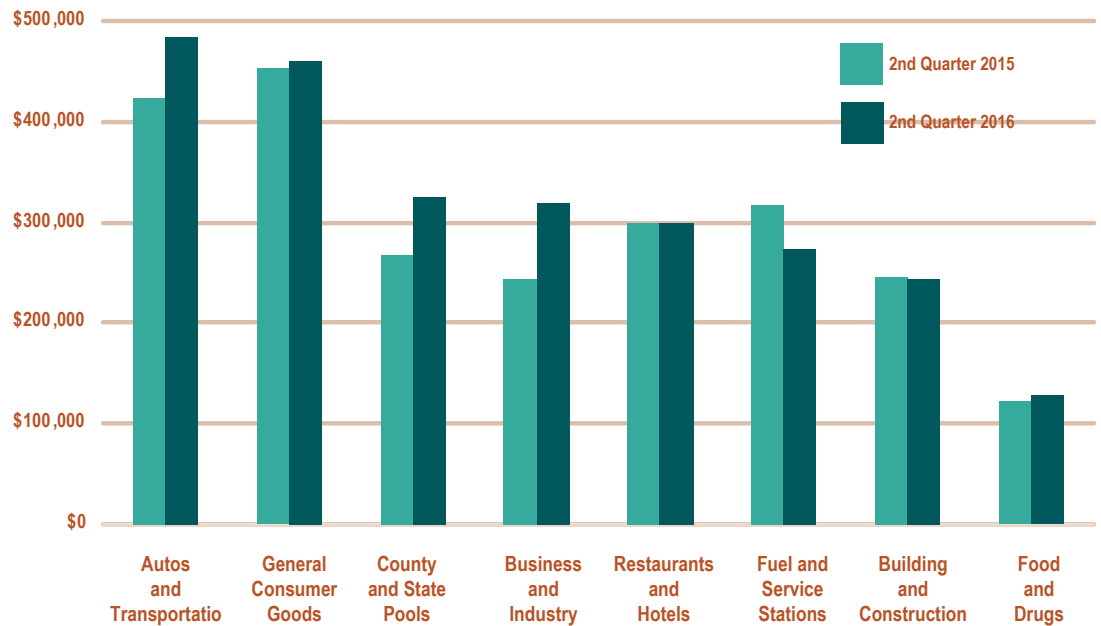
Automotive group postings were buoyed by a prior addition to new car dealers and receipt of taxes due from a prior period. Sales declined from trailers/RV's. Business and industry group gains were inflated by a recovery in the heavy industrial sector garnered by the City's on-going point of sale audit program. Sales were up from lumber/building materials, most types of restaurants and some classifications of consumer goods. A multi-year reallocation hiked proceeds from the countywide use tax pool.

Lower fuel prices cut service station returns and sales declined from contractor supplies. Prior closeouts hurt fine dining and grocery/liquor.

Local voter-approved Measure E-12 generated \$1,177,973 for the quarter in addition to the amounts described above, an increase of 0.1%.

Adjusted for onetime reporting events, taxable sales for all of San Luis Obispo County declined 0.4% over the same period; the Central Coast region was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Mullahey Chrysler Dodge Jeep Ram
Arco AM PM	Orchard Supply Hardware
Big Creek Lumber	Paso Robles Chevrolet
Borjon Auto Center	Paso Robles Ford
Buttonwillow Warehouse Company	Ross
Crop Production Services	San Luis Bay Kia
Firestone Walker	Santa Cruz Biotechnology
Henderson Petroleum Eagle	Sky River
Idlers	Smart & Final
JB Dewar	Target
Kohls	Valero Corner Store
Krones	Walmart
Lowes	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,103,109	\$2,208,342
County Pool	264,986	324,812
State Pool	1,764	773
Gross Receipts	\$2,369,860	\$2,533,926
Less Triple Flip*	\$(592,465)	\$0
Supplemental Tax	\$1,176,413	\$1,177,973

NOTES

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

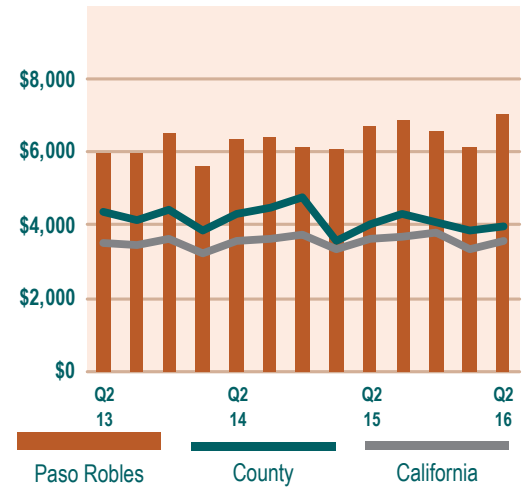
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

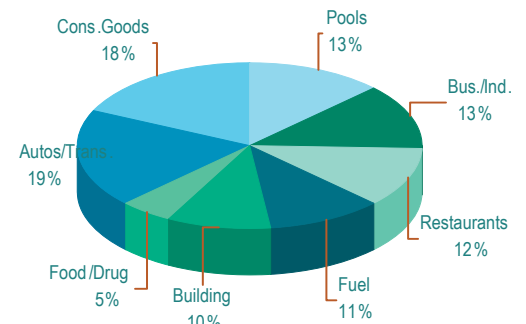
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

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 Q2 '16*	Change	County Change	HdL State Change
Automotive Supply Stores	47.1	7.9%	5.5%	1.5%
Casual Dining	147.9	4.2%	4.5%	4.4%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.5%	0.7%
Electronics/Appliance Stores	38.2	-2.4%	2.1%	22.4%
Family Apparel	45.4	8.4%	2.5%	4.4%
Garden/Agricultural Supplies	81.8	21.2%	9.6%	5.6%
Grocery Stores Liquor	63.4	-6.6%	-5.7%	1.2%
Heavy Industrial	41.5	214.3%	69.5%	6.8%
Lumber/Building Materials	156.9	9.3%	-0.3%	3.3%
New Motor Vehicle Dealers	323.5	20.2%	4.5%	2.7%
Petroleum Prod/Equipment	54.3	15.6%	-0.2%	-31.1%
Quick-Service Restaurants	84.7	3.1%	3.5%	6.6%
Service Stations	219.4	-17.6%	-15.2%	-19.2%
Specialty Stores	34.6	6.7%	7.6%	2.4%
Trailers/RVs	56.0	-14.6%	3.9%	13.7%
Total All Accounts	2,208.3	5.0%	-0.4%	-0.6%
County & State Pool Allocation	325.6	22.1%	15.8%	15.2%
Gross Receipts	2,533.9	6.9%	1.4%	1.4%