

Q1 2018



City of Paso Robles Sales Tax *Update*

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

Paso Robles In Brief

Paso Robles' receipts from January through March were 0.6% below the first sales period in 2017, but the decline was due to the State's transition to a new software and reporting system that resulted in a delay in processing multiple payments. The late remittances are expected to be received next quarter. This anomaly contributed to declines for numerous groups including autos-transportation, business-industrial and restaurants-hotels. Excluding reporting aberrations, actual sales were up 7.3% overall.

Countywide use-tax pool receipts were higher with the City receiving a larger share of these funds.

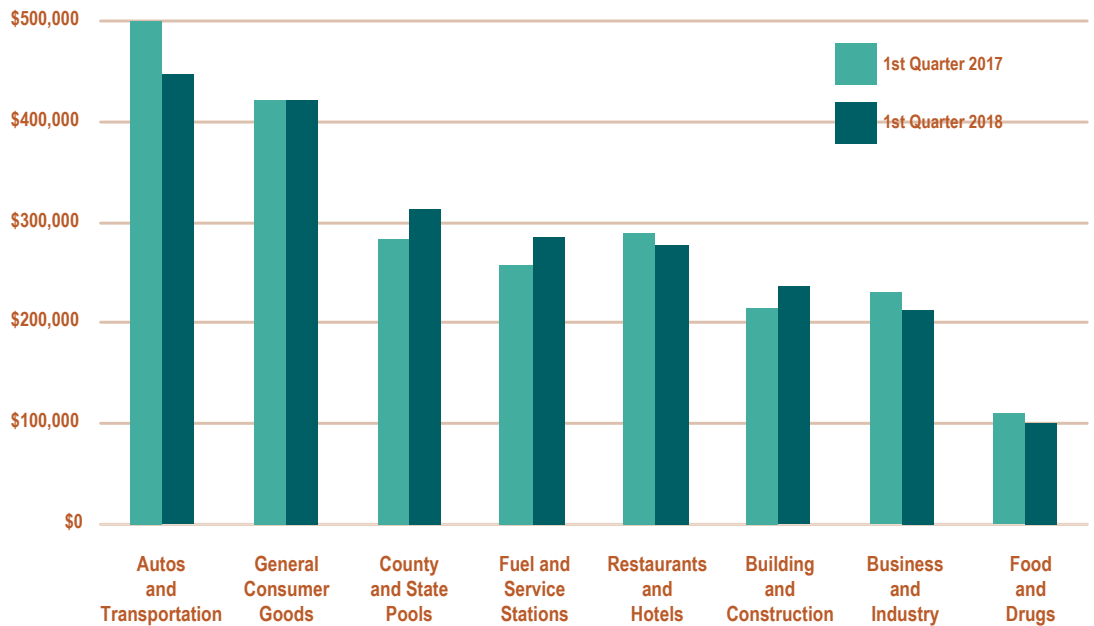
Contractor sales surged this year compared to last year when the rainy winter may have depressed returns. Service station receipts were also strong.

New car sales fell, partially offsetting this progress.

Proceeds from Measure E-12 added an additional \$1,130,000 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

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

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$8,660,990	\$9,067,306
County Pool	1,268,888	1,247,432
State Pool	6,660	2,961
Gross Receipts	\$9,936,538	\$10,317,699
Supplemental Tax	\$4,658,261	\$4,934,760

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.

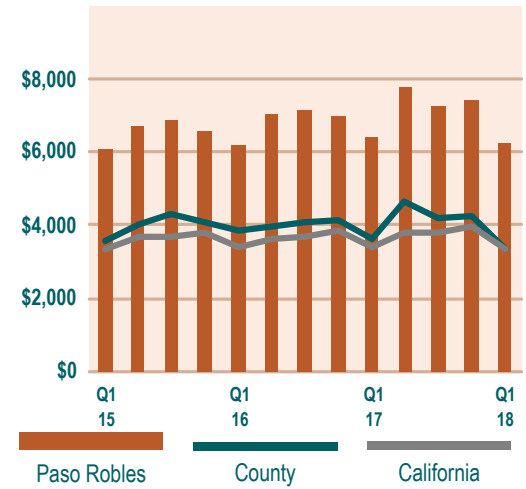
Supreme Court Ruling

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 online interstate marketplace was not the prevailing issue before the court in 1992.

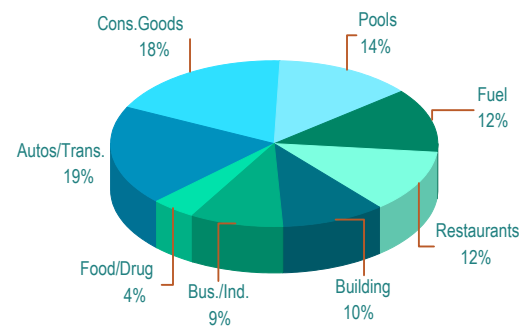
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

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
Paso Robles This Quarter



PASO ROBLES TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Paso Robles Q1 '18*	Change	County Change	HdL State Change
Automotive Supply Stores	50.7	8.5%	-3.7%	-4.1%
Building Materials	150.4	-5.5%	7.2%	3.8%
Casual Dining	138.7	-8.5%	-1.3%	-2.0%
Contractors	52.8	138.3%	41.2%	21.6%
Discount Dept Stores	— CONFIDENTIAL —		-0.9%	2.8%
Drugs/Chemicals	32.6	20.3%	12.6%	4.4%
Electronics/Appliance Stores	32.6	-18.5%	1.4%	0.8%
Family Apparel	48.9	16.3%	11.3%	8.2%
Garden/Agricultural Supplies	43.2	10.3%	-4.0%	3.0%
Grocery Stores	60.4	-1.9%	-4.0%	1.9%
New Motor Vehicle Dealers	288.9	-14.6%	-9.6%	-0.2%
Petroleum Prod/Equipment	58.5	0.1%	37.9%	3.7%
Quick-Service Restaurants	79.4	-1.2%	-8.3%	-3.8%
Service Stations	226.0	14.1%	8.3%	4.6%
Trailers/RVs	60.6	19.5%	26.2%	8.4%
Total All Accounts	1,979.1	-2.2%	-7.5%	-1.8%
County & State Pool Allocation	312.1	10.3%	4.3%	-2.1%
Gross Receipts	2,291.2	-0.6%	-6.0%	-1.8%