

# Q4 2018



# City of Paso Robles Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

## Paso Robles In Brief

Paso Robles's receipts from October through December were flat compared to the fourth sales period in 2017. Excluding reporting aberrations, actual sales were down 2.4%.

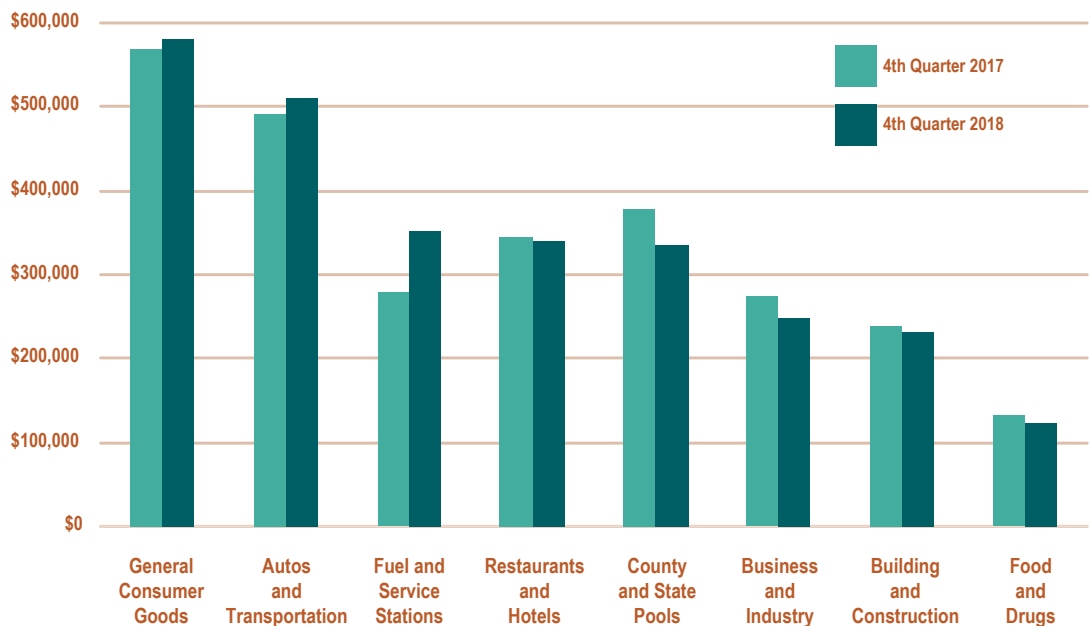
The largest contributor was a lower allocation from the countywide use tax pool, which was primarily caused by a significant misallocation that spiked results in the comparison year.

Delayed fuel and service station payments, apparently due to the State's continuing difficulties in transitioning to its new software system, was also a factor. Building material sales were negatively impacted by the recent closure of a local supplier.

The City's voter approved Measure E-12 generated an additional \$1,329,000 to the amounts previously discussed. The 0.9% decline, adjusted for proper payment timing, nearly matched the performance of the City's local 1% tax.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 6.8% over the comparable time period; the Central Coast region was down 0.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lowes
Albertsons	McDonalds
All State Utility Supply	Mullahey Chrysler Dodge Jeep Ram
Arco AM PM	Paso Robles Chevrolet
Big Creek Lumber	Paso Robles Ford
Borjon Auto Center	Paso Robles Kia
Buick Gmc	Ross
Central Coast Stainless	Sky River RV
Chevron	Smart & Final
Henderson Petroleum Eagle	Target
Idler's Home	Third Base Market & Spirits
Jaco Oil	TJ Maxx
Kohls	Walmart

### REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$4,638,863	\$5,350,232
County Pool	674,031	742,020
State Pool	2,470	2,679
<b>Gross Receipts</b>	<b>\$5,315,365</b>	<b>\$6,094,931</b>
<b>Supplemental Tax</b>	<b>\$2,559,719</b>	<b>\$2,865,221</b>

**Statewide Results**

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

**The Retail Evolution Continues**

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

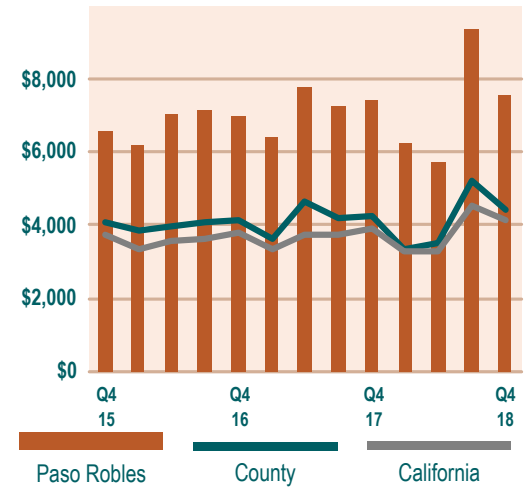
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

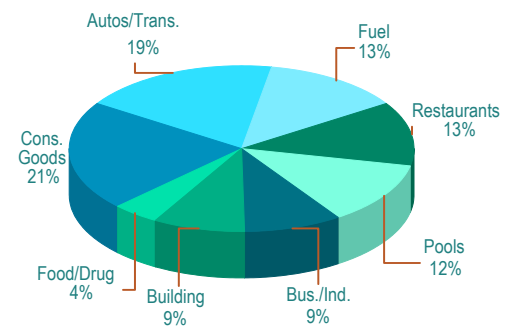
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

**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 Q4 '18*	Change	County Change	HdL State Change
Automotive Supply Stores	52.2	6.1%	5.6%	2.8%
Building Materials	152.9	-3.6%	-0.1%	5.5%
Casual Dining	154.3	2.7%	6.6%	2.5%
Contractors	46.6	11.0%	-7.0%	17.3%
Department Stores	— CONFIDENTIAL —		-0.9%	-3.4%
Discount Dept Stores	— CONFIDENTIAL —		0.1%	3.9%
Electronics/Appliance Stores	52.6	12.1%	-8.8%	-1.6%
Family Apparel	63.8	4.9%	-6.1%	0.5%
Garden/Agricultural Supplies	45.5	27.6%	0.0%	-2.3%
Grocery Stores	67.3	-8.8%	-11.1%	-11.7%
New Motor Vehicle Dealers	339.1	2.2%	1.1%	5.8%
Quick-Service Restaurants	100.3	0.1%	7.9%	6.6%
Service Stations	312.8	30.2%	39.7%	28.5%
Specialty Stores	47.1	27.8%	1.7%	-10.7%
Trailers/RVs	54.9	17.6%	17.1%	3.3%
<b>Total All Accounts</b>	<b>2,390.1</b>	<b>1.9%</b>	<b>4.8%</b>	<b>7.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>335.7</b>	<b>-11.4%</b>	<b>-8.9%</b>	<b>8.6%</b>
<b>Gross Receipts</b>	<b>2,725.8</b>	<b>0.0%</b>	<b>2.9%</b>	<b>7.2%</b>