

# Q1 2019



# City of Paso Robles Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

## Paso Robles In Brief

Paso Robles' receipts from January through March were 8.5% above the first sales period in 2018, however double payments and other reporting aberrations inflated most sectors. Excluding anomalies, actual sales were down 5.5%.

Building materials and contractors' supplies sales were lower as building and construction was sluggish countywide during the quarter. Declining sales in multiple segments caused a 9.0% decrease in business and industry. Slowing new auto sales and a 28% drop off in trailer and RV sales drove the automotive group down 4.7%.

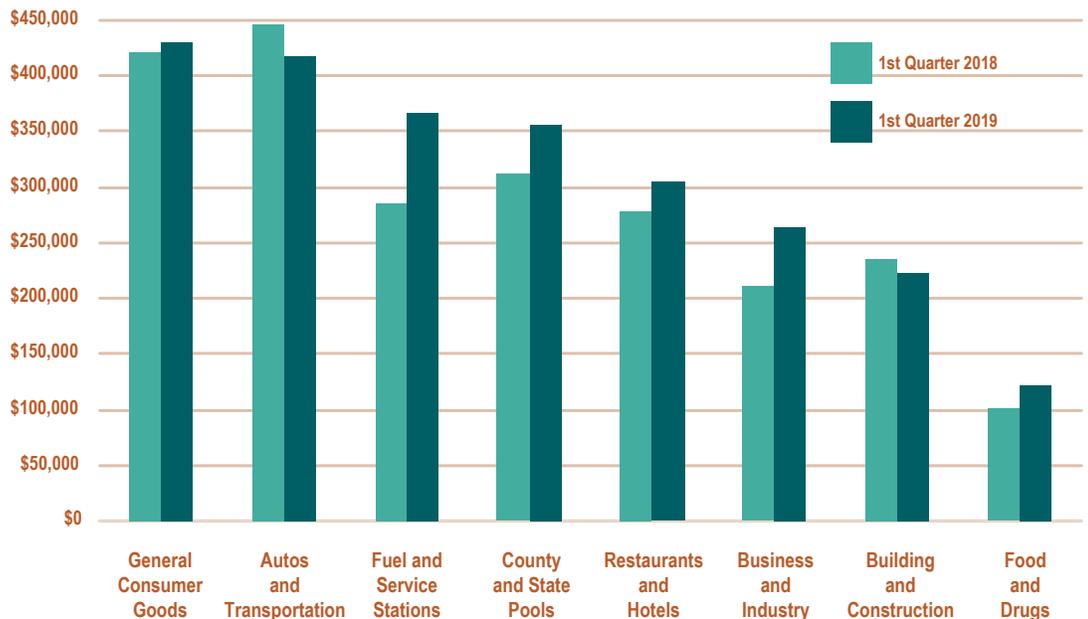
Lower sales from most retail categories pushed general consumer goods down 3.4%. Service station sales were off 5.0% due to lower retail gas prices. Restaurants were the lone point of sale bright spot, up 2.8%.

The City's allocation from the countywide use tax pool increased 14.3% due to anomalies that depressed prior year pool receipts.

Measure E-12 added an additional \$1,199,231 during the period. After adjusting for reporting anomalies, actual sales were down 1.4%.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 3.2% over the comparable time period; the Central Coast region was down 2.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Mullahey Chrysler Dodge Jeep Ram
Albertsons	Paso Robles Chevrolet
Arco AM PM	Paso Robles Ford
Big Creek Lumber	Paso Robles Kia
Borjon Auto Center Buick GMC	Ross
Eagle Energy 76	Sky River
Firestone Walker Brewery	Smart & Final
Idler's Home	Target
Jaco Oil	Third Base Market & Spirits
JB Dewar	TJ Maxx
Kohls	Tractor Supply
Lowes	Walmart
McDonalds	

## REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$6,617,934	\$7,481,427
County Pool	984,430	1,096,696
State Pool	4,209	3,903
<b>Gross Receipts</b>	<b>\$7,606,573</b>	<b>\$8,582,026</b>
<b>Supplemental Tax</b>	<b>\$3,636,326</b>	<b>\$4,064,452</b>

**Statewide Results**

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

**Slower Growth Ahead?**

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

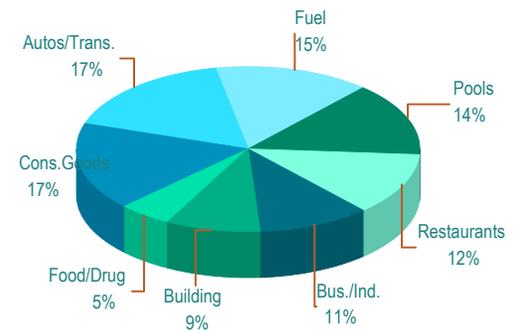
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

**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 '19*	Change	County Change	HdL State Change
Automotive Supply Stores	50.4	-0.6%	7.0%	8.8%
Building Materials	130.3	-13.4%	-4.0%	4.0%
Casual Dining	154.9	10.6%	10.9%	13.3%
Contractors	61.6	16.7%	-13.5%	4.8%
Discount Dept Stores	— CONFIDENTIAL —		0.9%	2.8%
Electronics/Appliance Stores	36.2	9.7%	2.9%	-3.3%
Family Apparel	46.3	-2.1%	2.5%	7.1%
Garden/Agricultural Supplies	57.6	33.3%	6.0%	3.6%
Grocery Stores	79.0	30.8%	29.1%	25.7%
New Motor Vehicle Dealers	278.4	-3.6%	-2.8%	-1.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —		123.1%	18.2%
Quick-Service Restaurants	81.5	2.6%	8.5%	10.0%
Repair Shop/Equip. Rentals	40.6	427.4%	46.2%	38.1%
Service Stations	274.3	6.5%	7.8%	15.7%
Trailers/RVs	43.6	-28.0%	-19.3%	-0.8%
<b>Total All Accounts</b>	<b>2,131.2</b>	<b>7.7%</b>	<b>16.5%</b>	<b>13.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>355.9</b>	<b>14.0%</b>	<b>23.3%</b>	<b>23.8%</b>
<b>Gross Receipts</b>	<b>2,487.1</b>	<b>8.5%</b>	<b>17.4%</b>	<b>14.9%</b>