

Q2 2017



City of Paso Robles Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Paso Robles In Brief

Paso Robles' receipts from April through June were 7.0% above the second sales period in 2016. Excluding reporting aberrations, actual sales were up 8.4%.

Manufacturer's incentives and moderate interest rates, combined with consumers' preference for higher priced crossovers, SUV's and light trucks produced solid returns from new car dealers. RV sales were also higher as millennials hit the road and push national sales to new records.

The recent expansion of a popular local eatery also lifted casual dining receipts.

The most significant drag on growth was a 20% decrease in allocations from the countywide use tax pool. The pool is divided proportionately among county agencies based on point-of-sale receipts and a project-driven spike in allocations elsewhere in the region temporarily depressed the City's share.

Measure E-12, the City's voter approved quarter-cent transaction tax, added \$1,298,000 to the amounts previously discussed, an increase of 10.2% compared to last year.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 12.3% over the comparable time period; the Central Coast region was up 4.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Jaco Oil
Albertsons	JB Dewar
American Tartaric Products	Kohls
Arco AM PM	Lowes
Big Creek Lumber	Mullahey Chrysler Dodge Jeep Ram
Borjon Auto Center	Paso Robles Chevrolet
Buttonwillow Warehouse Co.	Paso Robles Ford
Central Coast Stainless	Paso Robles Polaris
Crop Production Services	Ross
Firestone Walker Brewery	San Luis Bay Kia
Henderson Petroleum Eagle	Sky River
	Smart & Final
	Target
	Walmart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,208,342	\$2,449,371
County Pool	324,812	263,002
State Pool	773	(1,248)
Gross Receipts	\$2,533,926	\$2,711,126
Less Triple Flip*	\$0	\$0
Supplemental Tax	\$1,177,973	\$1,298,434

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

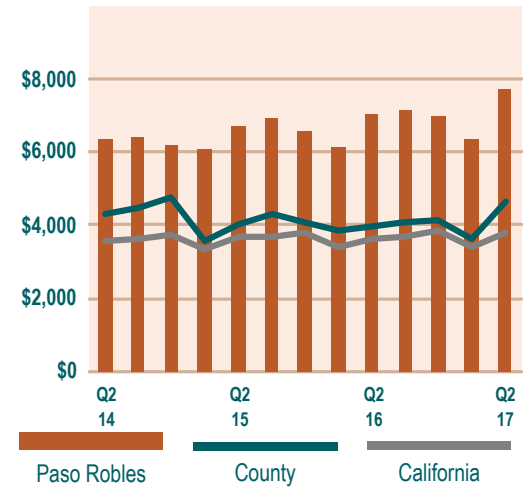
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

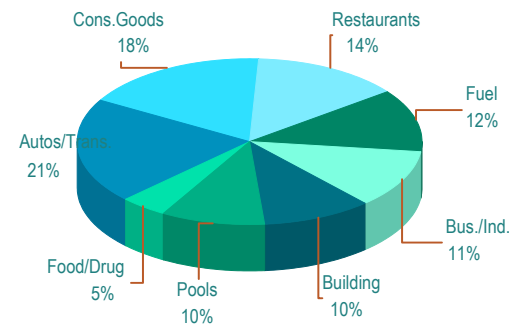
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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 '17*	Change	County Change	HdL State Change
Automotive Supply Stores	53.4	14.1%	2.8%	2.8%
Building Materials	193.5	7.3%	14.5%	6.0%
Casual Dining	196.6	29.3%	6.3%	2.0%
Contractors	53.4	64.1%	8.7%	9.7%
Discount Dept Stores	— CONFIDENTIAL —		1.7%	3.2%
Drugs/Chemicals	61.3	100.8%	43.7%	-2.3%
Electronics/Appliance Stores	41.5	8.3%	-0.6%	0.2%
Family Apparel	49.6	9.3%	5.5%	4.0%
Garden/Agricultural Supplies	79.4	-3.0%	9.4%	4.4%
Grocery Stores	70.9	6.4%	5.5%	2.1%
New Motor Vehicle Dealers	358.3	10.8%	6.4%	3.2%
Petroleum Prod/Equipment	80.5	48.1%	16.3%	23.6%
Quick-Service Restaurants	98.2	13.3%	6.5%	5.9%
Service Stations	246.3	9.5%	7.9%	8.6%
Trailers/RVs	73.4	31.0%	15.8%	9.0%
Total All Accounts	2,449.4	10.9%	17.7%	6.4%
County & State Pool Allocation	261.8	-19.6%	-14.7%	-9.9%
Gross Receipts	2,711.1	7.0%	13.5%	4.1%