

# Q2 2014



# Arroyo Grande Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

## Arroyo Grande In Brief

Receipts for Arroyo Grande's April through June sales were 10.3% higher than the same quarter one year ago. Actual sales activity was up 9.0% when reporting aberrations were factored out.

Autos and transportation posted higher receipts from multiple categories. In addition, sales increases from all types of eateries lifted restaurant receipts.

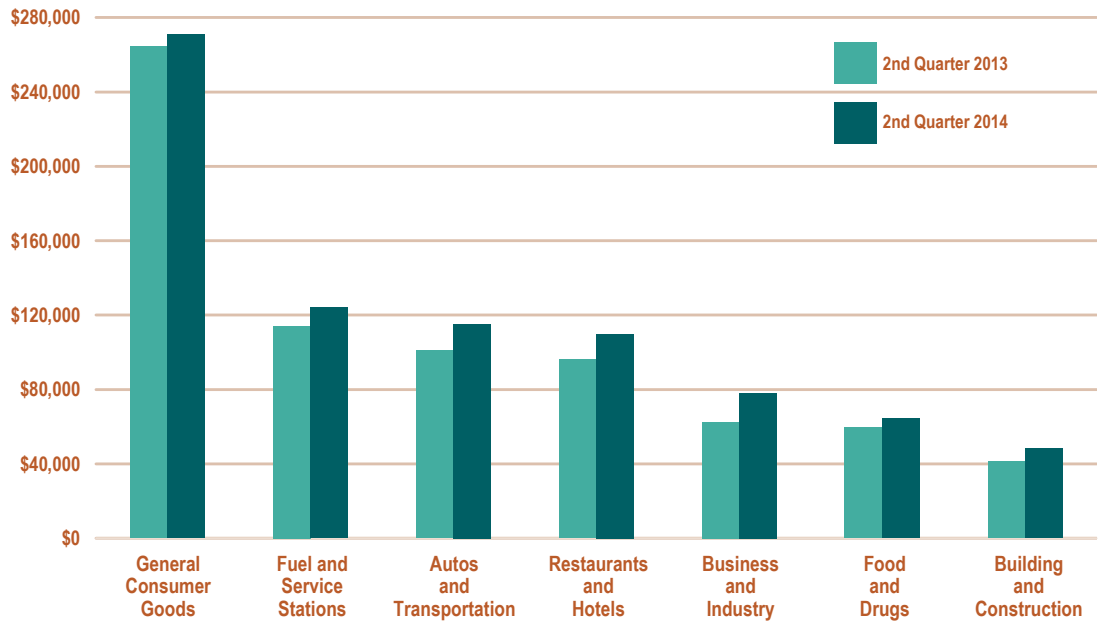
Onetime payments boosted receipts from business and industry. A retroactive payment was responsible for inflating the overall results from the food and drugs group while various anomalies lifted service station receipts.

Increases from specialty stores and home furnishings contributed to the positive results from general consumer goods. Additionally, the gain from contractor supplies was a factor in the increase from the building and construction group.

Measure "O-06", the city's voter approved transactions tax, generated \$518,267, a decrease of 3.3% compared to the same quarter last year.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County increased 0.8% over the comparable time period, while the Central Coast region as a whole was up 3.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	K Mart
Albertsons	Marshalls
Aqua Systems	McDonalds
Arco AM PM	Mullahey Ford
Arroyo Grande Chevrolet	Officemax
Arroyo Grande Shell	PFG Arroyo Grande
Arroyo Grande Valero	Rite Aid
Burke & Pace Lumber Sales	Rooster Creek
Chilis	San Luis Obispo Country Farm
Donnas Interiors Furniture	Smart & Final
Get a Mattress	Trader Joes
In N Out Burgers	Verizon Wireless
	Walmart

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$738,839	\$810,642
County Pool	76,953	89,515
State Pool	508	612
<b>Gross Receipts</b>	<b>\$816,300</b>	<b>\$900,769</b>
Less Triple Flip*	\$(204,075)	\$(225,192)
<b>Measure O - 06</b>	<b>\$536,030</b>	<b>\$518,267</b>

\*Reimbursed from county compensation fund

**California as a Whole**

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

**Triple Flip - The End is in Sight**

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

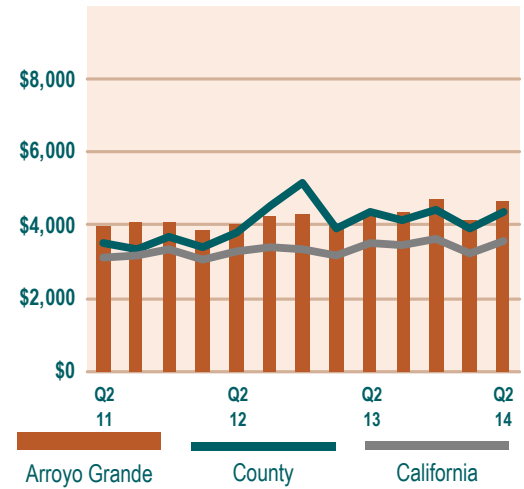
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

**Allocation Formulas Corrected**

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

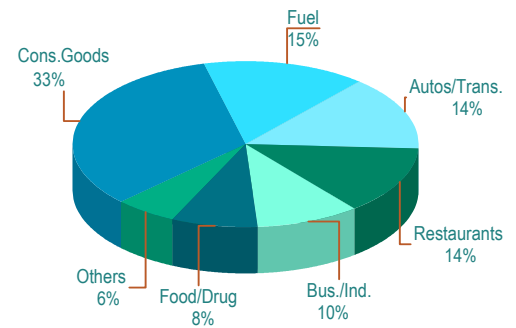
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Arroyo Grande This Quarter



**ARROYO GRANDE TOP 15 BUSINESS TYPES**

Business Type	Arroyo Grande		County	HdL State
	Q2 '14	Change	Change	Change
Casual Dining	42,727	14.0%	8.7%	3.8%
Discount Dept Stores	— CONFIDENTIAL —	—	3.7%	2.9%
Drug Stores	— CONFIDENTIAL —	—	19.0%	10.0%
Electronics/Appliance Stores	16,187	-6.6%	-2.2%	-0.9%
Family Apparel	— CONFIDENTIAL —	—	2.1%	9.6%
Fast-Casual Restaurants	26,589	38.5%	14.7%	10.2%
Garden/Agricultural Supplies	25,643	-4.3%	-1.7%	5.7%
Grocery Stores Liquor	36,234	9.8%	13.6%	5.7%
Home Furnishings	46,662	2.3%	10.1%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	7.1%	9.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	7.5%	7.4%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-9.6%	9.1%
Quick-Service Restaurants	36,137	3.5%	1.1%	6.6%
Service Stations	121,905	8.5%	6.9%	6.7%
Specialty Stores	15,284	14.9%	8.2%	7.7%
<b>Total All Accounts</b>	<b>\$810,642</b>	<b>9.7%</b>	<b>0.4%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$90,127</b>	<b>16.4%</b>	<b>6.5%</b>	<b>12.7%</b>
<b>Gross Receipts</b>	<b>\$900,769</b>	<b>10.3%</b>	<b>1.0%</b>	<b>3.9%</b>