

Q3 2014



Arroyo Grande Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

Arroyo Grande In Brief

Receipts for Arroyo Grande's July through September sales were 5.7% higher than the same quarter one year ago. Actual sales activity was up 4.6% when accounting anomalies were excluded.

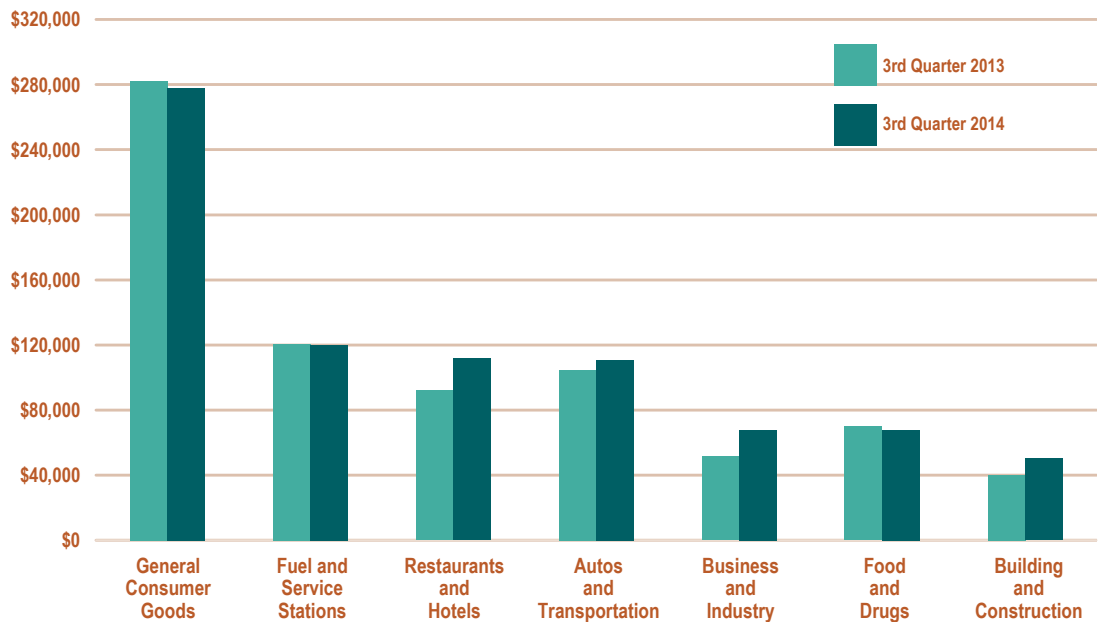
Recently-opened outlets contributed to the increases from restaurants and the business and industry group although gains from the latter were overstated by a year-ago delayed allocation. Sales were up from the automotive and building and construction groups plus some categories of general consumer goods.

Postings declined from service stations and home furnishings. A prior business closeout pared receipts from grocery-beer and wine.

In addition to the amounts discussed above, revenue from voter-approved Measure O-06 totaled \$546,751 for the quarter including \$12,769 due from other periods.

Net of onetime reporting events taxable sales for all of San Luis Obispo County increased 9.3% over the same period, while the Central Coast region as a whole was up 5.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

| | 2013-14 | 2014-15 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$1,499,580 | \$1,616,606 |
| County Pool | 161,742 | 177,328 |
| State Pool | 794 | 1,158 |
| Gross Receipts | \$1,662,116 | \$1,795,092 |
| Less Triple Flip* | \$(415,529) | \$(448,773) |
| Measure O - 06 | \$1,032,606 | \$1,065,018 |

*Reimbursed from county compensation fund

California Overall

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

The Impact of Falling Gas Prices on Sales Tax

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

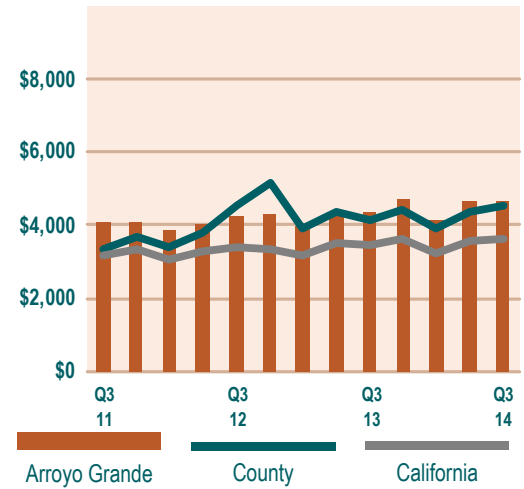
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

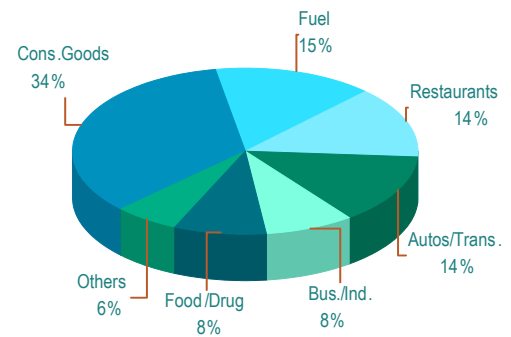
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

| Business Type | Arroyo Grande | | County | HdL State |
|-------------------------------------------|------------------|--------------|--------------|--------------|
| | Q3 '14 | Change | Change | Change |
| Casual Dining | 54,961 | 14.4% | 9.8% | 5.9% |
| Discount Dept Stores | — | CONFIDENTIAL | 3.1% | 2.5% |
| Drug Stores | — | CONFIDENTIAL | -0.9% | 1.0% |
| Electronics/Appliance Stores | 16,777 | -1.8% | 1.4% | 3.0% |
| Family Apparel | — | CONFIDENTIAL | 0.9% | 5.9% |
| Garden/Agricultural Supplies | 26,883 | 19.6% | -0.1% | 2.8% |
| Grocery Stores Beer/Wine | 15,831 | -11.0% | 14.4% | 2.0% |
| Grocery Stores Liquor | — | CONFIDENTIAL | 2.1% | 8.8% |
| Hardware Stores | — | CONFIDENTIAL | -4.4% | -2.5% |
| Home Furnishings | 46,619 | -8.1% | 4.4% | 6.4% |
| Lumber/Building Materials | — | CONFIDENTIAL | 11.2% | 4.3% |
| New Motor Vehicle Dealers | — | CONFIDENTIAL | 7.6% | 8.0% |
| Quick-Service Restaurants | 40,861 | 18.9% | 5.2% | 8.5% |
| Service Stations | 117,907 | -0.6% | 1.3% | 1.2% |
| Specialty Stores | 16,930 | 6.8% | 10.9% | 6.2% |
| Total All Accounts | \$805,964 | 5.9% | 10.3% | 5.5% |
| County & State Pool Allocation | \$88,359 | 3.9% | 8.1% | 10.2% |
| Gross Receipts | \$894,323 | 5.7% | 10.0% | 6.1% |