

# Q3 2019



# Arroyo Grande Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

## Arroyo Grande In Brief

Arroyo Grande's receipts from July through September were 6.3% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were up 2.7%.

An increase in auto-transportation related sales was the primary factor in this improvement, outperforming the 2% countywide trend with 17% posted growth.

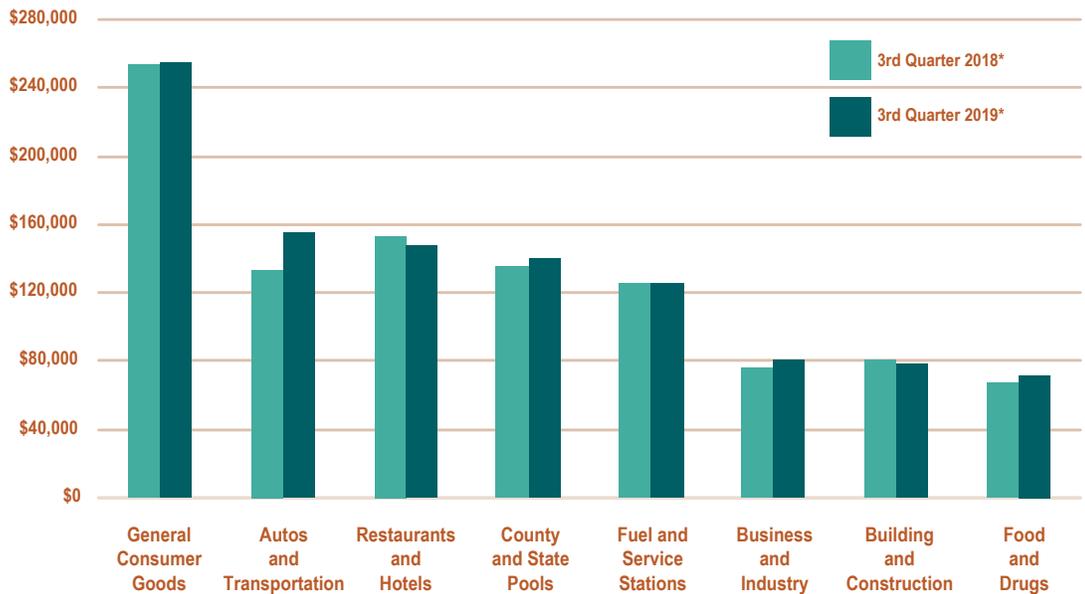
Business-industrial returns were also higher, but this category is volatile and fluctuates a lot from quarter-to-quarter. The recent opening of a new grocery store in town was also positive.

A delayed payment appears to have temporarily deflated casual-dining returns.

Measure M-06 added an additional \$1,096,000. After adjusting for correct payment timing, receipts were up 0.8%.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 1.0% over the comparable time period; the Central Coast region was up 1.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Mason Bar
Arco AM PM	McDonalds
Arroyo Grande Chevrolet	Mobil
Arroyo Grande Valero	Mullahey Ford
Burke & Pace Lumber Sales	R & R Furniture
Chevron	Rite Aid
Donnas Interiors Furniture	Rooster Creek
Ember Restaurant	Rugged Race Products
Food 4 Less	Smart & Final
In N Out Burger	Streator Pipe & Supply
Katch Go	Trader Joes
Marshalls	Verizon Wireless
	Wal Mart

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$1,027,637	\$946,215
County Pool	141,468	149,537
State Pool	528	375
<b>Gross Receipts</b>	<b>\$1,169,633</b>	<b>\$1,096,128</b>
<b>Measure O - 06</b>	<b>\$671,523</b>	<b>\$615,654</b>

**Statewide Results**

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

**Additional Tax Districts Approved**

Voters approved eight of the nine sales

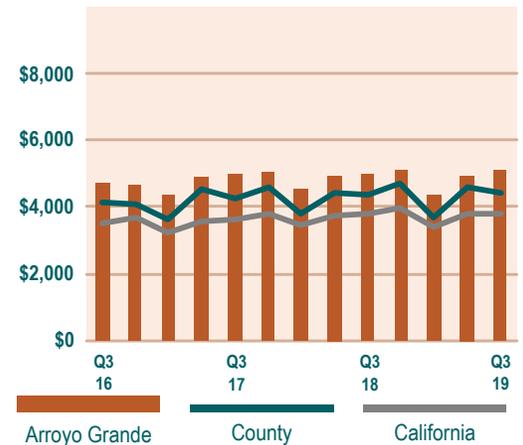
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

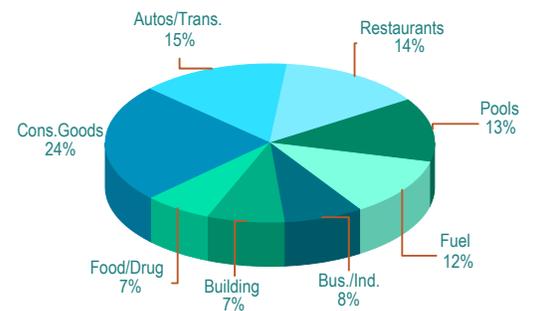
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP**  
Arroyo Grande This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**ARROYO GRANDE TOP 15 BUSINESS TYPES\*\***

Business Type	Arroyo Grande		County	HdL State
	Q3 '19	Change	Change	Change
Building Materials	52,128	-1.3%	-3.8%	0.2%
Casual Dining	65,777	-10.6%	-2.4%	2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	0.2%	2.8%
Drug Stores	— CONFIDENTIAL —	—	0.8%	-1.2%
Electrical Equipment	— CONFIDENTIAL —	—	13.2%	1.5%
Electronics/Appliance Stores	17,455	5.8%	-0.3%	-3.2%
Family Apparel	— CONFIDENTIAL —	—	4.3%	1.5%
Fast-Casual Restaurants	21,241	7.3%	11.8%	5.1%
Garden/Agricultural Supplies	27,018	-6.2%	4.5%	4.3%
Grocery Stores	40,280	7.3%	4.6%	1.7%
Home Furnishings	33,609	-3.8%	-9.5%	-1.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	4.2%	-7.2%
Quick-Service Restaurants	52,138	5.0%	3.4%	2.6%
Service Stations	118,355	0.1%	-1.2%	-1.5%
Specialty Stores	16,945	-7.1%	-9.3%	0.3%
<b>Total All Accounts</b>	<b>914,545</b>	<b>2.6%</b>	<b>1.6%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>140,210</b>	<b>3.5%</b>	<b>-2.3%</b>	<b>14.9%</b>
<b>Gross Receipts</b>	<b>1,054,755</b>	<b>2.7%</b>	<b>1.0%</b>	<b>2.3%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.