

Q4 2019



Arroyo Grande Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Arroyo Grande In Brief

Arroyo Grande's receipts from October through December were 6.7% above the fourth sales period in 2018. Excluding aberrations, actual sales were up 2.2%.

Like most agencies across the state, the increase in actual sales came solely from a 21.0% increase in the City's allocation from the countywide use tax pool. State-wide, pool receipts accounted for 95% of all sales tax growth, boosted by sharply higher receipts from on-line shopping as a result of the Wayfair decision and implementation of the marketplace facilitator provision that required additional out of state companies to collect sales tax. The City's point of sale actual results were down 0.7%.

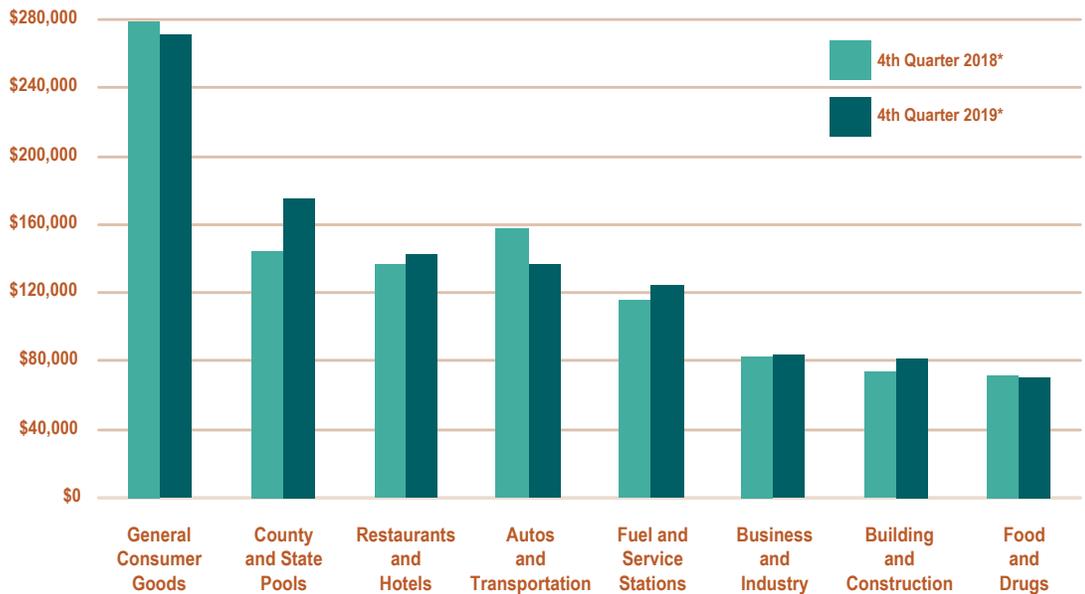
Lower sales from multiple categories pushed general retail sales down 2.6%, while the automotive group was down 13.6%.

On the positive side, contractors' supplies, gas stations and most dining out categories posted higher sales. Business and industry was up a modest 1.6%.

The Measure O one-half cent transaction tax generated an additional \$615,402, up 5.7% over prior year sales.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 2.6% over the comparable time period; the Central Coast region was up 0.8%.

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	Mobil
Arroyo Grande Chevrolet	Mullahey Ford
Arroyo Grande Valero	Pacific Shore Stones
Burke & Pace Lumber Sales	R & R Furniture
Chevron	Rite Aid
Ember Restaurant	Rooster Creek
Food 4 Less	Rugged Race Products
Gills Food Market	Smart & Final
In N Out Burger	Streator Pipe & Supply
Katch Go	Trader Joes
Marshalls	Verizon Wireless
	Wal Mart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$1,928,723	\$1,879,007
County Pool	267,584	313,085
State Pool	965	832
Gross Receipts	\$2,197,272	\$2,192,924
Measure O - 06	\$1,245,647	\$1,244,275

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

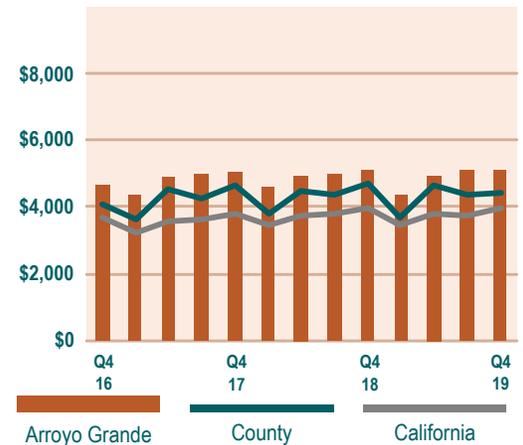
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

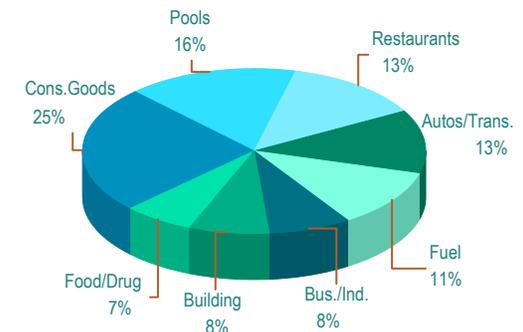
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

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
	Q4 '19	Change	Change	Change
Building Materials	46,622	-4.7%	2.3%	1.4%
Casual Dining	64,024	4.3%	0.5%	3.8%
Contractors	— CONFIDENTIAL —	—	-3.5%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —	—	1.9%	3.6%
Drug Stores	— CONFIDENTIAL —	—	0.6%	-0.7%
Electronics/Appliance Stores	21,463	-4.5%	0.2%	-6.6%
Family Apparel	— CONFIDENTIAL —	—	3.2%	1.3%
Fast-Casual Restaurants	21,214	6.7%	9.9%	4.3%
Garden/Agricultural Supplies	28,018	2.5%	-3.3%	-0.3%
Grocery Stores	40,500	1.2%	3.8%	1.3%
Home Furnishings	32,114	-0.8%	-11.1%	-2.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	0.1%	-3.4%
Quick-Service Restaurants	48,855	4.2%	2.8%	1.9%
Service Stations	116,031	8.0%	2.6%	0.2%
Specialty Stores	17,012	-19.1%	-9.0%	-3.8%
Total All Accounts	911,401	-0.7%	-6.0%	0.2%
County & State Pool Allocation	174,945	20.9%	19.7%	26.7%
Gross Receipts	1,086,346	2.2%	-2.6%	4.2%

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