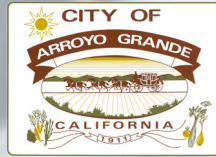


Q1 2020



Arroyo Grande Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Arroyo Grande In Brief

Arroyo Grande's receipts from January through March were 20.8% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 1.5%.

Deferred payments from businesses taking advantage of the state's 90-day filing extension and delayed allocations from some large businesses were the main causes of the variance between cash and actual sales. Actual sales in most industry groups declined due to Covid-19 impacts. The losses were largely offset by continued strong growth from the county pool resulting from the Wayfair decision that required additional out of state companies to collect sales tax. The City's allocation from the county pool increased 32.4%.

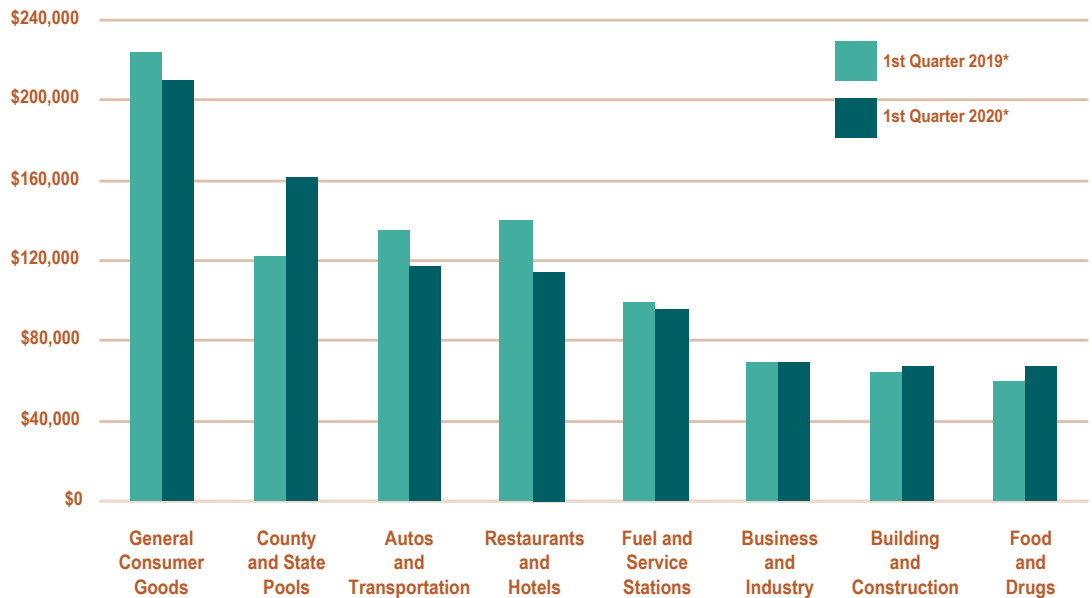
The restaurants and automotive groups' actual sales absorbed the biggest impacts, dropping 18.2% and 13.3%, respectively. General consumer goods declined 6.6%. Fuel sales decreased 4.1%, while business and industry dipped 0.4%.

Building materials gained 15.2%. Food and drugs was up 11.2%

The Measure O transaction tax generated an additional \$503,942, down 1.5% over prior year sales.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 1.2% over the comparable time period; the Central Coast region was down 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Marshalls
Arco AM PM	McDonalds
Arroyo Grande Chevrolet	Mobil
Arroyo Grande Valero	Mullahey Ford
Burke & Pace Lumber Sales	OfficeMax
Chevron	Pacific Shore Stones
Donnas Interiors Furniture	Rite Aid
Food 4 Less	Rugged Race Products
Grand Mart	Smart & Final
In N Out Burger	Streator Pipe & Supply
JB Dewar	Trader Joes
Katch Go	Verizon Wireless
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$2,771,446	\$2,504,021
County Pool	407,831	466,698
State Pool	1,449	1,398
Gross Receipts	\$3,180,726	\$2,972,116
Measure O - 06	\$1,784,976	\$1,704,149

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

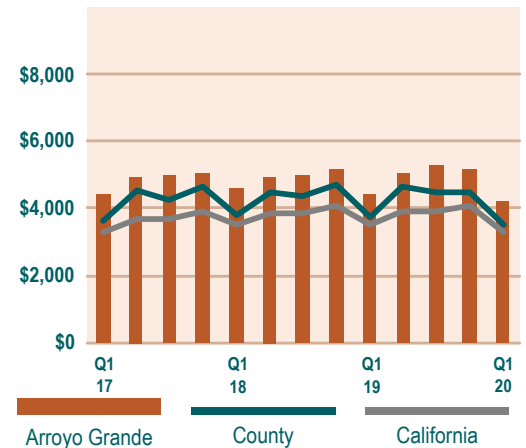
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

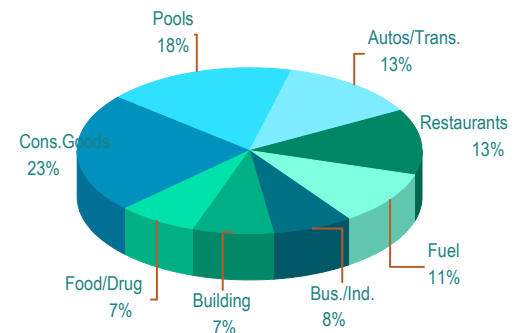
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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
	Q1 '20	Change	Change	Change
Automotive Supply Stores	14,068	2.6%	-8.3%	-9.5%
Building Materials	45,804	15.2%	9.2%	3.0%
Casual Dining	50,397	-27.0%	-13.1%	-18.8%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.9%	3.2%
Drug Stores	— CONFIDENTIAL —	—	4.8%	3.4%
Electronics/Appliance Stores	16,067	-10.7%	-9.9%	-18.0%
Family Apparel	— CONFIDENTIAL —	—	-21.7%	-21.1%
Fast-Casual Restaurants	18,206	-18.3%	-5.7%	-9.9%
Garden/Agricultural Supplies	23,685	7.4%	-1.8%	12.0%
Grocery Stores	38,315	21.2%	16.0%	11.8%
Home Furnishings	30,972	1.1%	-12.4%	-12.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-14.6%	-10.6%
Quick-Service Restaurants	42,934	-4.1%	-8.8%	-8.5%
Service Stations	87,108	-6.2%	-6.4%	-9.5%
Specialty Stores	15,492	-9.6%	-13.0%	-10.1%
Total All Accounts	739,252	-6.6%	-5.3%	-7.3%
County & State Pool Allocation	161,210	32.3%	26.2%	22.4%
Gross Receipts	900,462	-1.5%	-1.2%	-3.0%

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