

# CITY OF ARROYO GRANDE

## SALES TAX UPDATE

### 3Q 2020 (JULY - SEPTEMBER)



#### ARROYO GRANDE

TOTAL: \$ 1,092,351

1.4%  
3Q2020



3.6%  
COUNTY

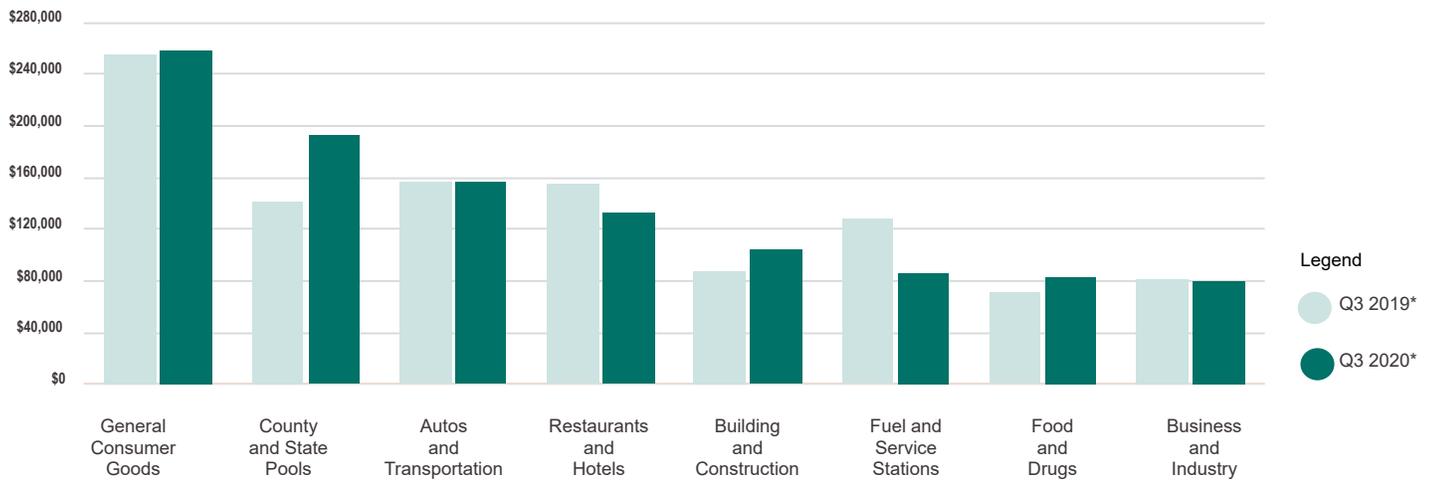


-0.9%  
STATE



*\*Allocation aberrations have been adjusted to reflect sales activity*

#### SALES TAX BY MAJOR BUSINESS GROUP



#### Measure O - 06

TOTAL: \$624,088

↑ 3.0%



#### CITY OF ARROYO GRANDE HIGHLIGHTS

Arroyo Grande's receipts from July through September were 1.4% above the third sales period in 2019.

Allocations from the countywide use tax pool increased 37% after a recent State legislative change has expanded the number of internet purchases subject to taxation over the last year. Receipts were further boosted by growing numbers of consumers now shopping online out of fear of contagion during the Covid-19 health crisis.

The sale of building materials supplies also grew 49% as consumers prioritized improvements to maximize the comfort and functionality of their living spaces

while cocooning during lockdown. A new business opening further contributed to this growth, and a second opening also lifted grocery stores.

Conversely, demand for gasoline and restaurant meals were both curtailed by the pandemic.

Measure O-06, the City's voter-approved add-on sales tax, generated \$624,000 in additional revenue from the amounts previously discussed, an increase of 3.0% compared to the prior year.

Net of aberrations, taxable sales for the Central Coast region was down 1.6% against the comparable time period.



#### TOP 25 PRODUCERS

- |                            |                      |
|----------------------------|----------------------|
| Ace Hardware               | Mason Bar            |
| Arco AM PM                 | McDonalds            |
| Arroyo Grande Chevrolet    | Mobil                |
| Arroyo Grande Valero       | Mullahey Ford        |
| Burke & Pace Lumber Sales  | Pacific Shore Stones |
| California Hardware        | Rite Aid             |
| Chevron                    | Rugged Race Products |
| Donnas Interiors Furniture | Smart & Final        |
| Ember Restaurant           | Trader Joes          |
| Food 4 Less                | Verizon Wireless     |
| Grand Mart                 | Wal Mart             |
| In N Out Burger            |                      |
| John Deere Landscapes      |                      |
| Marshalls                  |                      |



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last

year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

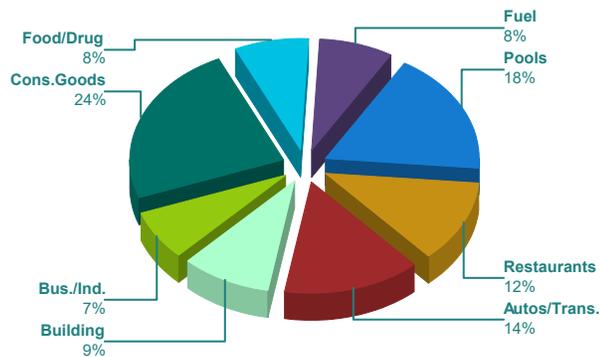
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up

of each jurisdiction's tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP  
Arroyo Grande This Quarter\*



\*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Arroyo Grande Business Type	Q3 '20	Change	County Change	HdL State Change
Service Stations	80,128	-32.3% ↓	-25.5% ↓	-29.0% ↓
Building Materials	77,797	49.2% ↑	16.1% ↑	16.4% ↑
Casual Dining	55,781	-19.9% ↓	-19.3% ↓	-38.0% ↓
Quick-Service Restaurants	54,936	1.5% ↑	-2.9% ↓	-10.2% ↓
Grocery Stores	49,027	21.7% ↑	8.9% ↑	7.1% ↑
Home Furnishings	33,388	-3.0% ↓	6.4% ↑	-3.5% ↓
Garden/Agricultural Supplies	32,458	15.8% ↑	-0.3% ↓	7.0% ↑
Electronics/Appliance Stores	21,871	25.4% ↑	-11.0% ↓	-21.1% ↓
Fast-Casual Restaurants	19,158	-14.1% ↓	-8.6% ↓	-14.1% ↓
Specialty Stores	18,535	10.2% ↑	-5.3% ↓	-8.7% ↓

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