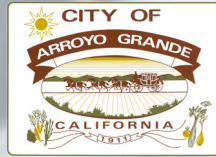


# Q1 2016



# Arroyo Grande Sales Tax *Update*

*Second Quarter Receipts for First Quarter Sales (January - March 2016)*

## Arroyo Grande In Brief

Arroyo Grande's receipts from January through March were 0.7% below the first sales period in 2015. Excluding reporting aberrations, actual sales were up 2.7%.

A business closeout that reduced receipts from the food and drugs sector was primarily responsible for the current decrease.

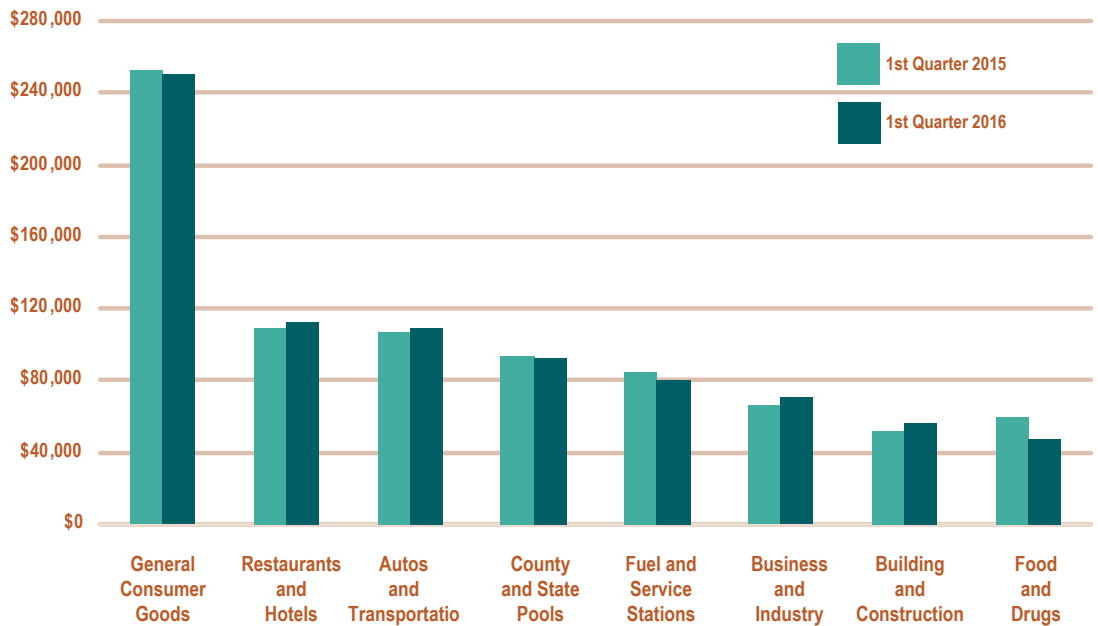
Lower fuel prices at the pump caused the drop in returns from service stations. A onetime accounting adjustment negatively impacted results from general consumer goods.

The losses were offset by recent additions that helped boost revenues from casual dining restaurants and the business and industry group.

The City's Measure O-06 half-cent voter approved transaction tax generated an additional \$512,466 for the quarter, an increase of 8.3% over the same period one year ago.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 10.1% over the comparable time period; the Central Coast region was up 4.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	McDonalds
Arco AM PM	Mullahey Ford
Arroyo Grande Chevrolet	OfficeMax
Arroyo Grande Hospital Dignity Medical	Pacific Shore Stones
Burke & Pace Lumber Sales	R&R Furniture
Chevron	Rite Aid
Donnas Interiors Furniture	Rooster Creek
Figueroa Mountain Brewing	Shell
In N Out Burgers	Smart & Final
Kmart	Streator Pipe & Supply
Marshalls	Trader Joes
	Valero
	Verizon Wireless
	Walmart

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
<b>Point-of-Sale</b>	\$3,127,710	\$3,169,547
<b>County Pool</b>	354,407	416,346
<b>State Pool</b>	2,011	2,209
<b>Gross Receipts</b>	<b>\$3,484,128</b>	<b>\$3,588,102</b>
<b>Less Triple Flip*</b>	\$(871,032)	\$(692,165)
<b>Measure O - 06</b>	\$2,074,609	\$2,186,843

**California Overall**

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

**Robust Growth in Online Sales**

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

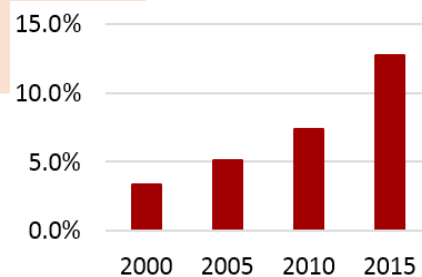
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

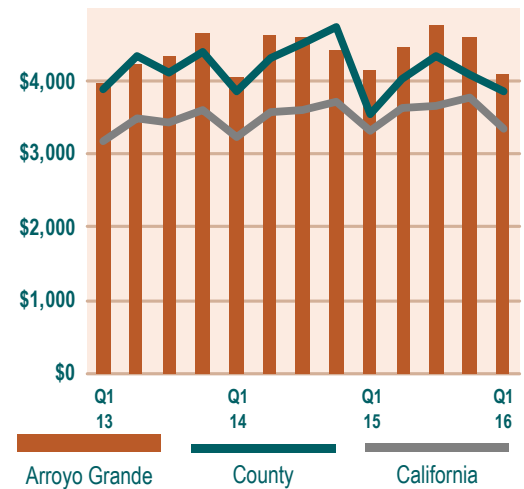
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

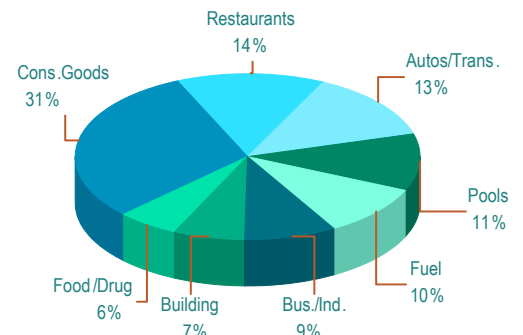
**Online General Consumer Goods  
YOY Percentage Growth**



**SALES PER CAPITA**



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



**ARROYO GRANDE TOP 15 BUSINESS TYPES**

Business Type	Arroyo Grande		County	HdL State
	Q1 '16	Change	Change	Change
Casual Dining	58,716	27.5%	7.1%	5.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.1%	-0.3%
Drug Stores	— CONFIDENTIAL —	—	4.5%	0.0%
Electronics/Appliance Stores	17,432	1.6%	3.2%	2.8%
Family Apparel	— CONFIDENTIAL —	—	-4.4%	-0.7%
Garden/Agricultural Supplies	22,537	6.4%	-2.1%	0.2%
Grocery Stores Beer/Wine	15,945	2.6%	9.8%	-1.6%
Grocery Stores Liquor	— CONFIDENTIAL —	—	-3.3%	1.6%
Hardware Stores	— CONFIDENTIAL —	—	0.9%	2.8%
Home Furnishings	40,301	1.9%	0.0%	3.0%
Lumber/Building Materials	— CONFIDENTIAL —	—	5.7%	4.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	7.4%	3.1%
Quick-Service Restaurants	42,104	11.7%	7.2%	6.4%
Service Stations	76,063	-8.6%	-10.3%	-9.3%
Specialty Stores	16,293	4.9%	6.8%	3.4%
<b>Total All Accounts</b>	<b>727,039</b>	<b>-0.6%</b>	<b>9.1%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>92,404</b>	<b>-1.3%</b>	<b>8.4%</b>	<b>14.1%</b>
<b>Gross Receipts</b>	<b>819,443</b>	<b>-0.7%</b>	<b>9.1%</b>	<b>3.2%</b>