

Q3 2018



Arroyo Grande Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Arroyo Grande In Brief

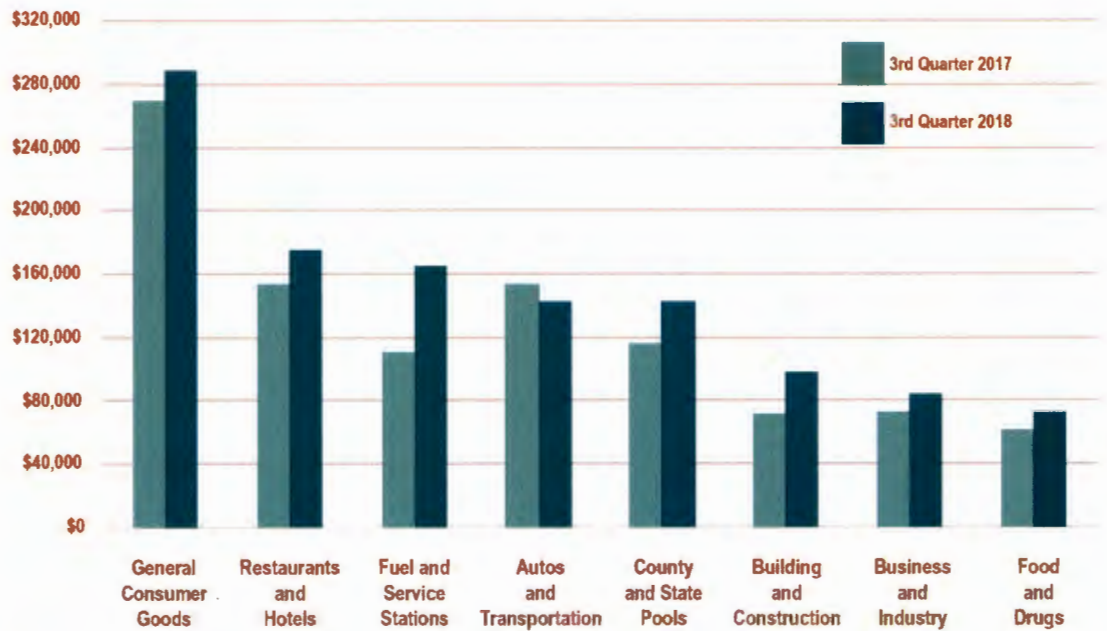
Arroyo Grande's allocation of sales and use tax from its July through September sales was 15.7% higher than the third quarter of 2017. However, the quarter was inflated by back payments related to the State's problems with its new computerized reporting system. Actual receipts were up 0.5% after these and other aberrations are factored out.

Gains from higher fuel prices, sales of building-construction materials and a rise in the countywide use tax allocation pool were largely offset by declining receipts within the auto-transportation group and by the closeout of a major retailer of general consumer goods.

Voter approved Measure 0-06 added \$671,523 to the amounts discussed above but was also inflated by State reporting problems. Actual receipts were up 0.1% when these are factored out. Gains from building-construction supplies and higher fuel prices were offset by declines in other sectors.

Adjusted for aberrations, sales and use tax receipts for all of San Luis Obispo County grew 5.9% over the comparable time period while the Central Coast region as a whole, was up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Ace Hardware	In N Out Burger
Arco AM PM	Katch Go
Arroyo Grande Chevrolet	Marshalls
Arroyo Grande Valero	McDonalds
Burke & Pace Lumber Sales	Mullahey Ford
Chevron	OfficeMax
Chilis	Pacific Shore Stones
Donnas Interiors Furniture	R & R Furniture
Ember Restaurant	Rite Aid
Food 4 Less	Rooster Creek
Heacock Trailers & Truck Accessories	Smart & Final
	Streator Pipe & Supply
	Trader Joes
	Wal Mart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$894,604	\$1,027,637
County Pool	115,416	141,468
State Pool	695	528
Gross Receipts	\$1,010,715	\$1,169,633
Measure O - 06	\$571,058	\$671,523

California Overall

The CDTF's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

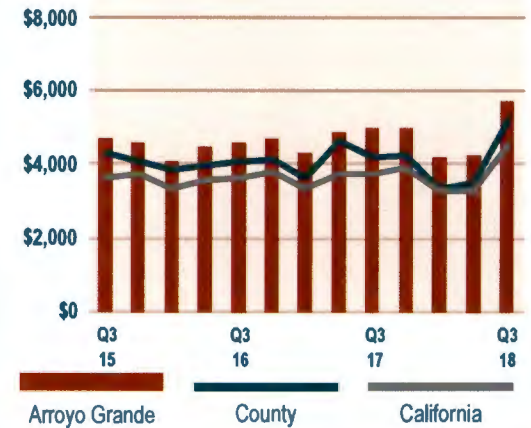
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



**COUNTY OVERALL
3Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	18.7%	0.5%
Building and Construction	28.9%	7.9%
Business and Industry	54.5%	4.1%
Food and Drugs	14.4%	1.7%
Fuel and Service Stations	38.4%	14.9%
General Consumer Goods	12.9%	-1.7%
Restaurants and Hotels	15.2%	1.5%
County and State Pools	32.9%	24.7%
Total	25.8%	5.9%

*Accounting anomalies factored out

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

