

Q2 2019



Arroyo Grande Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Arroyo Grande In Brief

Arroyo Grande's receipts from April through June were 8.9% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Excluding reporting aberrations, actual sales were down 4.4%.

Once adjusted, weaker sales activity by multiple auto-transportation vendors and home furnishing retailers were largely responsible for the decline.

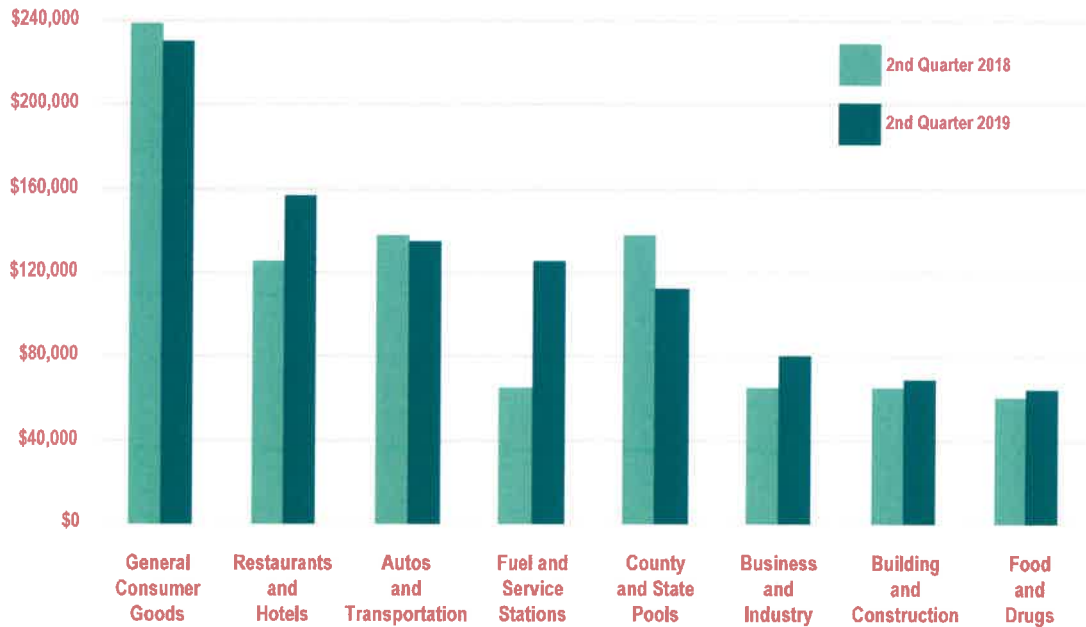
These combined with a lower allocation from the countywide use tax pool due to diminished tax dollars compared to the prior year, further negatively impacted the overall results.

In contrast, continued growth from quick service and fast casual eateries lifted restaurants and helped offset the drop.

The City's voter approved half-cent transaction tax - Measure O-06, generating an additional \$578,824 or 19% increase over last year, was also dramatically impacted by CDTFA software changes. Once adjusted, the measure experienced a slight decrease of 1.0%.

Net of aberrations, taxable receipts for all of San Luis Obispo County grew 3.1% over the comparable time period; the Central Coast region was up 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Marshalls
Arco AM PM	Mason Bar
Arroyo Grande Chevrolet	McDonalds
Arroyo Grande Valero	Mobil
Burke & Pace Lumber Sales	Mullahey Ford
Chevron	OfficeMax
Donnas Interiors Furniture	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
	Wal Mart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$3,304,428	\$3,634,746
County Pool	515,529	520,224
State Pool	1,914	1,815
Gross Receipts	\$3,821,871	\$4,156,784
Measure O - 06	\$2,150,450	\$2,363,800

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

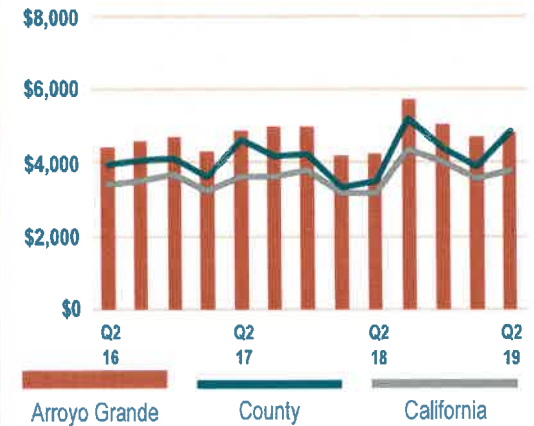
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

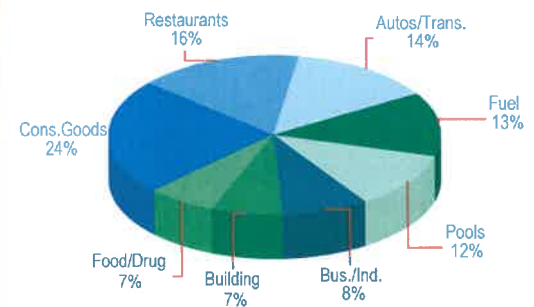
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q2 '19	Change	Change	Change
Automotive Supply Stores	14,385	5.1%	12.1%	16.4%
Building Materials	53,301	1.2%	15.9%	34.1%
Casual Dining	71,785	24.3%	18.6%	24.5%
Discount Dept Stores	— CONFIDENTIAL —		18.1%	26.3%
Drug Stores	— CONFIDENTIAL —		0.8%	-0.3%
Drugs/Chemicals	— CONFIDENTIAL —		39.2%	43.0%
Family Apparel	— CONFIDENTIAL —		36.2%	45.3%
Fast-Casual Restaurants	23,272	52.2%	28.9%	18.9%
Garden/Agricultural Supplies	32,832	26.1%	4.2%	22.0%
Grocery Stores	— CONFIDENTIAL —		7.2%	9.6%
Home Furnishings	24,706	-27.2%	-9.1%	15.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		15.9%	5.4%
Quick-Service Restaurants	52,503	26.9%	28.0%	15.9%
Service Stations	— CONFIDENTIAL —		84.8%	51.4%
Specialty Stores	13,756	-39.0%	-9.7%	-8.5%
Total All Accounts	863,299	13.7%	37.9%	20.1%
County & State Pool Allocation	112,759	-18.0%	-0.6%	22.4%
Gross Receipts	976,058	8.9%	32.0%	20.4%