

# Q2 2020



# Arroyo Grande Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

## Arroyo Grande In Brief

Arroyo Grande's receipts from April through June were 11.2% above the second sales period in 2019. Excluding aberrations, actual sales were down 1.4%.

Double payments from businesses that had missing/partial payments in 1Q20 was the main cause of the variance between cash receipts and actual sales. Actual sales in many industry groups declined due to Covid-19 impacts, although the losses were less than expected and partially offset by continued robust growth from the countywide pool resulting from the Wayfair decision and a large onetime allocation in building and construction. The City's allocation from the county pool increased 56.1%.

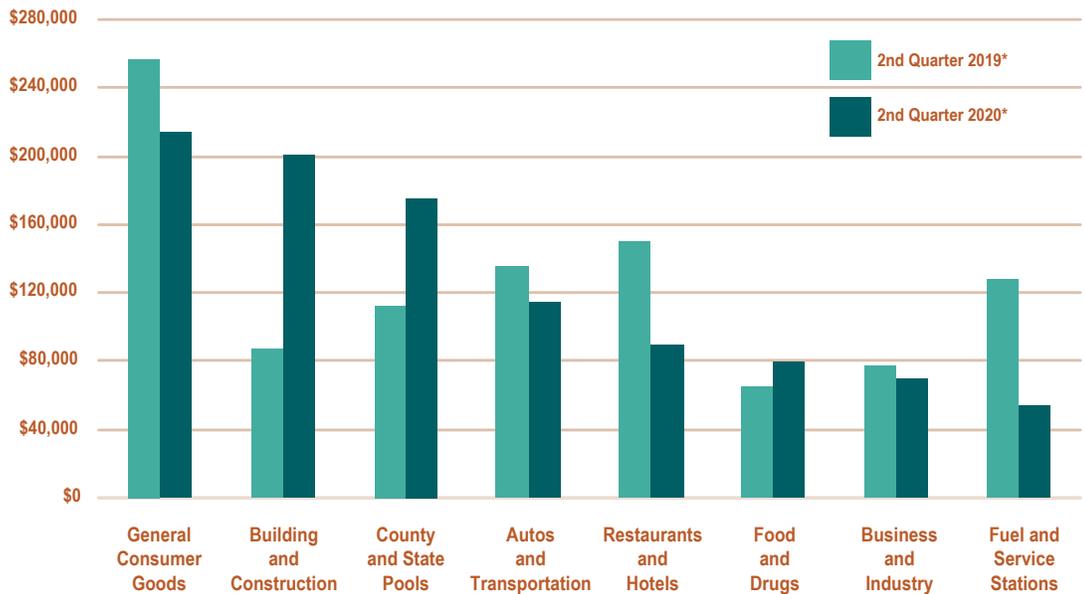
The largest impact to actual sales was a 58.5% decrease from service stations. Restaurant sales declined 40.0%. General retail sales were 16.7% lower, while the automotive group dropped 15.8%. Business and industry were down 10.0%.

Bright spots included a 41.8% in building material sales and 22.2% gain in food and drugs.

The Measure O transaction tax generated an additional \$572,986, down 0.6% from the prior year.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 15.8% over the comparable time period; the Central Coast region was down 17.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Mobil
Arco AM PM	Mullahey Ford
Arroyo Grande Chevrolet	Pacific Shore Stones
Arroyo Grande Valero	Papich Construction
Burke & Pace Lumber Sales	Rite Aid
California Hardware	Rugged Race Products
Chevron	San Luis Obispo Country Farm
Food 4 Less	Smart & Final
In N Out Burger	Streator Pipe & Supply
John Deere Landscapes	Trader Joes
Marshalls	Verizon Wireless
McDonalds	Wal Mart
Mier Bros Landscape Products	

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$3,634,746	\$3,401,788
County Pool	520,224	654,272
State Pool	1,815	1,743
<b>Gross Receipts</b>	<b>\$4,156,784</b>	<b>\$4,057,803</b>
Measure O - 06	\$2,363,800	\$2,358,163

## Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

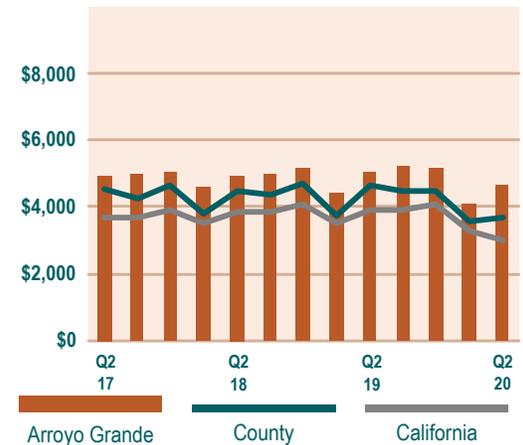
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

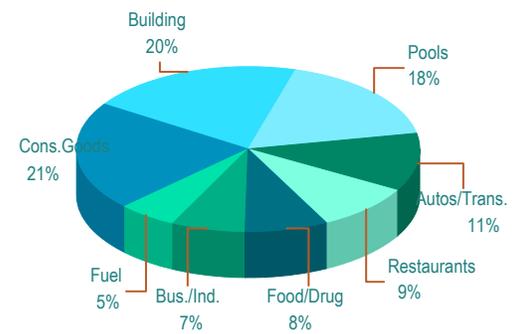
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

## 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
	Q2 '20	Change	Change	Change
Building Materials	75,562	41.8%	15.9%	7.0%
Casual Dining	23,482	-64.7%	-49.8%	-53.2%
Contractors	— CONFIDENTIAL —	—	8.7%	-12.2%
Convenience Stores/Liquor	12,555	8.5%	5.5%	8.4%
Discount Dept Stores	— CONFIDENTIAL —	—	-12.1%	-6.3%
Drug Stores	— CONFIDENTIAL —	—	2.1%	0.1%
Electronics/Appliance Stores	25,294	33.2%	-30.0%	-50.7%
Fast-Casual Restaurants	16,756	-25.7%	-24.8%	-30.3%
Garden/Agricultural Supplies	33,114	5.0%	6.6%	5.6%
Grocery Stores	45,955	30.3%	8.5%	7.8%
Home Furnishings	22,009	-39.4%	-40.7%	-41.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-2.3%	-15.8%
Quick-Service Restaurants	47,202	-9.0%	-18.7%	-22.0%
Service Stations	49,693	-58.5%	-43.5%	-45.2%
Specialty Stores	13,701	-26.8%	-38.8%	-36.2%
<b>Total All Accounts</b>	<b>822,847</b>	<b>-8.5%</b>	<b>-21.9%</b>	<b>-24.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>174,862</b>	<b>56.0%</b>	<b>29.4%</b>	<b>28.2%</b>
<b>Gross Receipts</b>	<b>997,709</b>	<b>-1.4%</b>	<b>-15.8%</b>	<b>-16.4%</b>

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