

CITY OF ARROYO GRANDE

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



ARROYO GRANDE

TOTAL: \$ 1,130,890

9.3%
3Q2021



14.5%
COUNTY

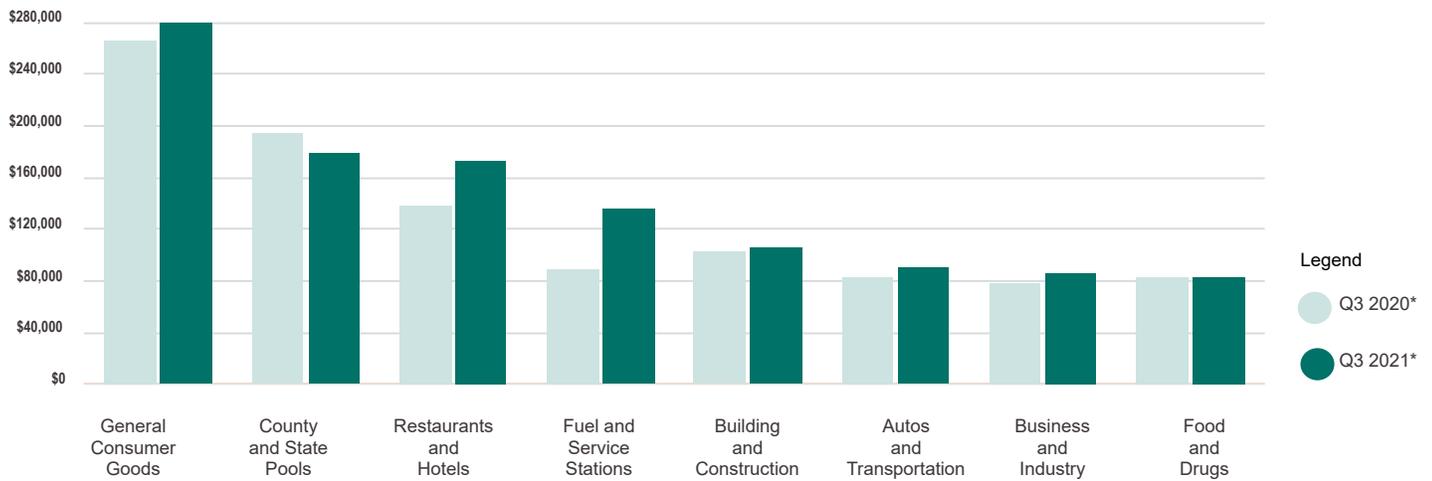


18.2%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure O - 06

TOTAL: \$688,112

↑ 7.5%



CITY OF ARROYO GRANDE HIGHLIGHTS

Arroyo Grande's receipts from July through September were 0.6% above the third sales period in 2020. Excluding reporting aberrations, actual sales were up 9.3%.

Fuel prices soared during 2021 and with improved consumption compared to the stay-at-home restrictions from the prior year has resulted in another quarter with strong results in the fuel and service stations sector. Restaurants showed steady growth with quick-service and fast casual establishments improving, and casual eateries saw increases with customers eager to dine-in again.

Retail sales have soared during the

pandemic with stimulus payments and savings from spending less on travel and dining out being directed to increased activity in multiple sectors in general consumer goods. A preference for shopping in person improved sales whether through apparel purchases or refreshing home furnishings. While consumers continue to value the convenience of e-commerce shopping options with more online purchases being made, the City's share declined compared to a year ago.

Segments within the business-industry group had higher level activity, particularly with garden/ag suppliers.



TOP 25 PRODUCERS

Ace Hardware
Arco AM PM
Arroyo Grande Chevrolet
Arroyo Grande Valero
Burke & Pace Lumber Sales
Chevron
Ember Restaurant
Food 4 Less
Grand Mart
In N Out Burger
JB Dewar
John Deere Landscapes
Katch Go
Marshalls

Mason Bar
Mobil
Pacific Shore Stones
Rite Aid
Rooster Creek
Rugged Race Products
Smart & Final
Streator Pipe & Supply
Trader Joes
Verizon Wireless
Wal Mart



STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor’s Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar

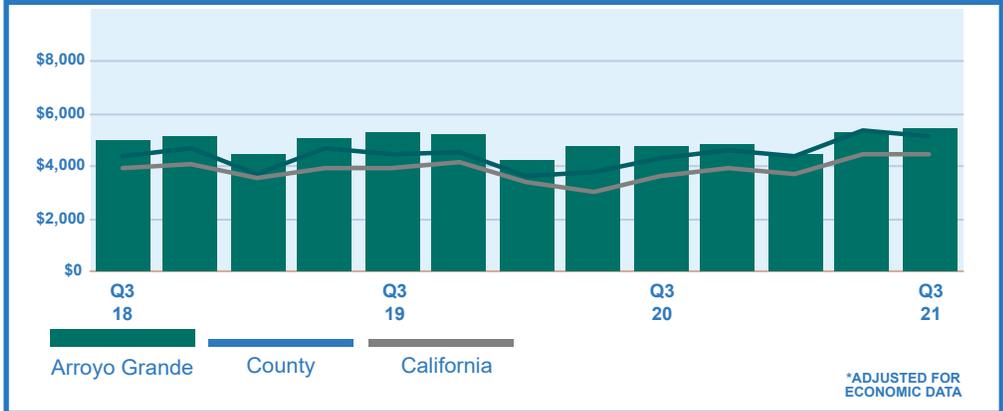
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building

materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer’s disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Arroyo Grande Business Type	Q3 '21	Change	County Change	HdL State Change
Service Stations	114,882	43.4% ↑	42.6% ↑	53.3% ↑
Casual Dining	75,929	27.0% ↑	39.3% ↑	69.0% ↑
Building Materials	75,835	-2.1% ↓	10.8% ↑	5.3% ↑
Quick-Service Restaurants	60,322	8.3% ↑	9.2% ↑	14.4% ↑
Grocery Stores	47,923	-2.3% ↓	-1.9% ↓	-0.2% ↓
Garden/Agricultural Supplies	38,569	11.6% ↑	-0.9% ↓	1.0% ↑
Home Furnishings	30,933	-13.4% ↓	-1.4% ↓	11.0% ↑
Electronics/Appliance Stores	24,550	7.5% ↑	15.7% ↑	19.7% ↑
Fast-Casual Restaurants	24,450	21.0% ↑	19.1% ↑	18.6% ↑
Specialty Stores	21,253	6.2% ↑	13.5% ↑	21.2% ↑

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