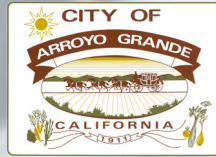


# Q2 2015



# Arroyo Grande Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

## Arroyo Grande In Brief

Arroyo Grande's receipts from April through June were 1.6% below the same period in 2014. Actual sales activity was up 2.3% when reporting aberrations were factored out.

Business and industry posted a loss, however onetime adjustments were responsible for temporarily depressing the results. Similar anomalies caused the temporary dip from the food and drugs group.

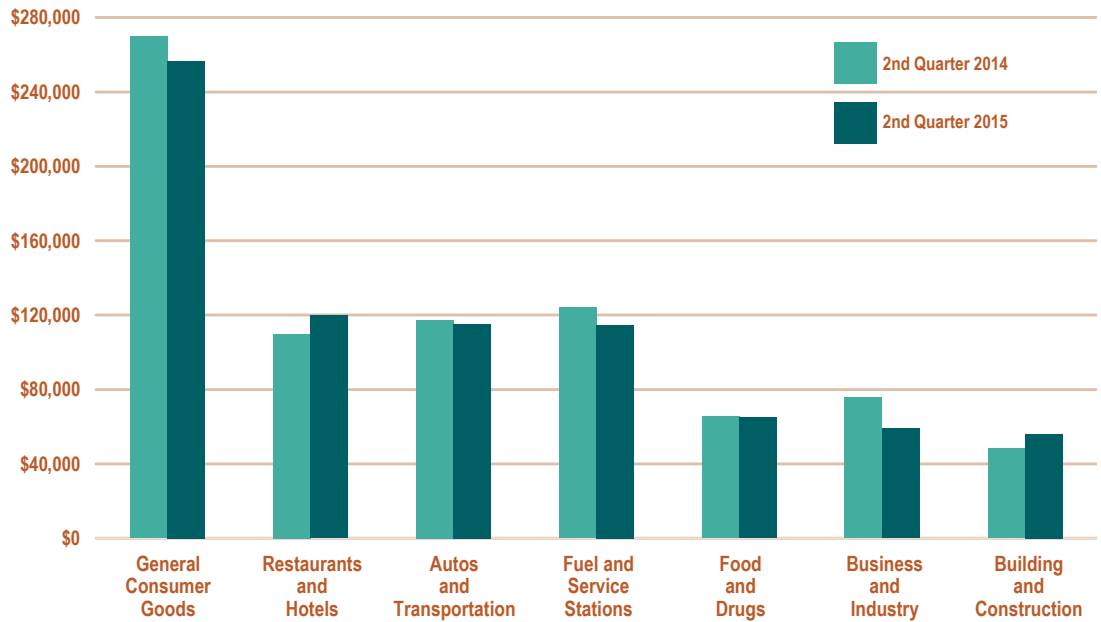
General consumer goods experienced sales declines from multiple categories. Receipts from autos and transportation were also down. Losses from service stations were responsible for the overall fuel group decrease.

Increased receipts from restaurants partially offset the declines. In addition, building and construction posted a strong sales quarter. The city's share of the countywide use tax pool allocation was also up 10.7%.

Measure "O-06", the city's voter approved transactions tax generated an additional \$516,808 in revenue for the quarter.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 4.4% over the comparable time period while, the Central Coast region was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Marshalls
Aqua Systems	McDonalds
Arco AM PM	Mier Bros
Arroyo Grande Chevrolet	Landscape Products
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	PFG
Burke & Pace Lumber Sales	R&R Furniture
Donnas Interiors Furniture	Rite Aid
Haggen	Rooster Creek
In N Out Burgers	San Luis Obispo Country Farm
JB Dewar	Smart & Final
K Mart	Trader Joes
	Verizon Wireless
	Walmart

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$810,642	\$786,308
County Pool	89,515	99,073
State Pool	612	660
<b>Gross Receipts</b>	<b>\$900,769</b>	<b>\$886,041</b>
Less Triple Flip*	\$(225,192)	\$(221,510)
<b>Measure O - 06</b>	<b>\$518,267</b>	<b>\$516,808</b>

**Statewide Sales Tax Trends**

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

**The Remaining Fiscal Year**

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

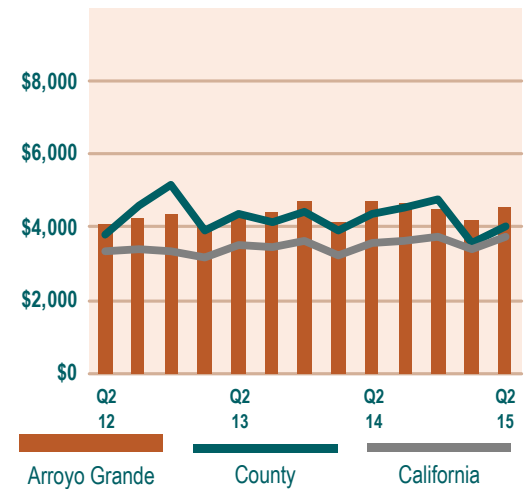
**Internet Sales Tax Proposal**

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

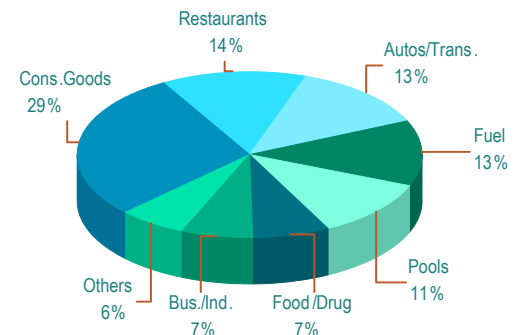
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

**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 '15	Change	Change	Change
Casual Dining	60,610	10.6%	6.6%	6.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.5%	-0.1%
Drug Stores	— CONFIDENTIAL —	—	-14.2%	-8.0%
Electronics/Appliance Stores	18,875	16.6%	4.5%	-1.3%
Family Apparel	— CONFIDENTIAL —	—	1.4%	2.8%
Garden/Agricultural Supplies	27,714	8.1%	0.8%	7.4%
Grocery Stores Beer/Wine	15,935	4.0%	2.6%	2.1%
Grocery Stores Liquor	— CONFIDENTIAL —	—	9.3%	3.6%
Hardware Stores	— CONFIDENTIAL —	—	0.7%	3.6%
Home Furnishings	37,176	-20.3%	-5.0%	7.5%
Lumber/Building Materials	— CONFIDENTIAL —	—	9.1%	4.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	11.1%	9.2%
Quick-Service Restaurants	42,248	9.4%	18.6%	9.2%
Service Stations	108,003	-11.4%	-10.2%	-11.7%
Specialty Stores	14,536	1.8%	3.5%	5.7%
<b>Total All Accounts</b>	<b>786,308</b>	<b>-3.0%</b>	<b>-6.8%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>99,732</b>	<b>10.7%</b>	<b>6.3%</b>	<b>11.8%</b>
<b>Gross Receipts</b>	<b>886,041</b>	<b>-1.6%</b>	<b>-5.5%</b>	<b>3.8%</b>