

Q2 2016



Arroyo Grande Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Arroyo Grande In Brief

Arroyo Grande's receipts from April through June sales were 3.1% higher than the same quarter one year ago. Actual sales increased 1.7% when accounting anomalies were excluded.

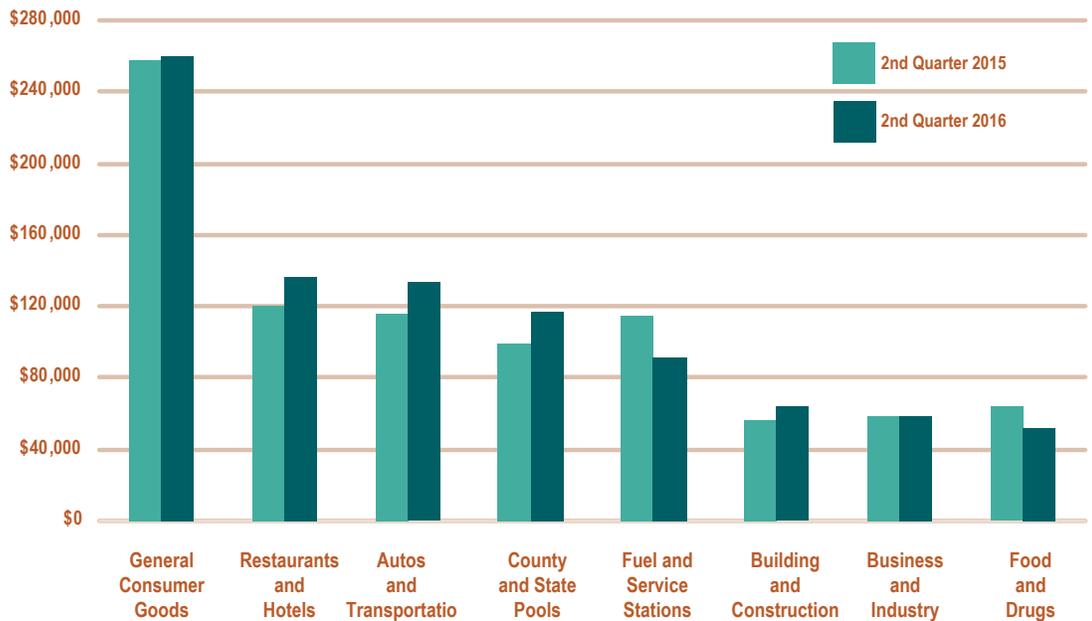
Both the building-construction and automotive groups posted solid gains. Recent additions helped casual dining and some categories of consumer goods. A multi-year re-allocation provided a onetime boost to receipts from the county use tax pool. Pool revenue is shared by the county's cities and unincorporated areas each quarter based on a ratio of taxable sales.

A prior business closeout was a major factor for the drop in the food and drugs group and sales declined from several categories of consumer goods. Lower prices at the pump cut service station receipts.

Proceeds from voter-approved Measure O-06 totaled \$538,987, an increase of 4.3% over last year's comparison quarter.

Adjusted for onetime reporting events, taxable sales for all of San Luis Obispo County dipped 0.4% over the same period; the Central Coast region as a whole was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Kmart
Arco AM PM	Marshalls
Arroyo Grande Chevrolet	McDonalds
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	OfficeMax
Burke & Pace Lumber Sales	Panera Bread
Chevron	R&R Furniture
Chilis	Rite Aid
Donnas Interiors Furniture	Rooster Creek
Figueroa Mountain Brewing	Smart & Final
In N Out	Streator Pipe & Supply
	Trader Joes
	Verizon
	Walmart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$786,308	\$796,252
County Pool	99,073	117,116
State Pool	660	279
Gross Receipts	\$886,041	\$913,647
Less Triple Flip*	\$(221,510)	\$0
Measure O - 06	\$516,808	\$538,987

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

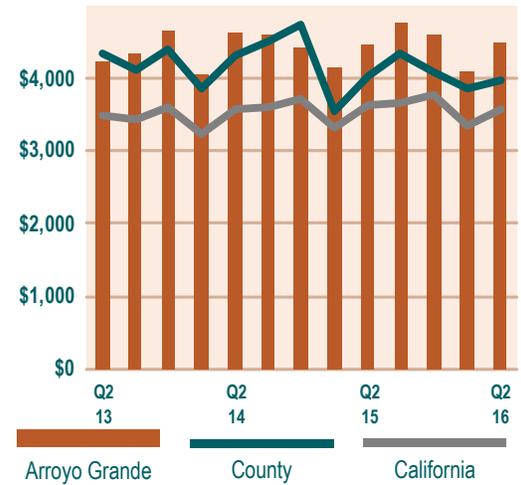
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

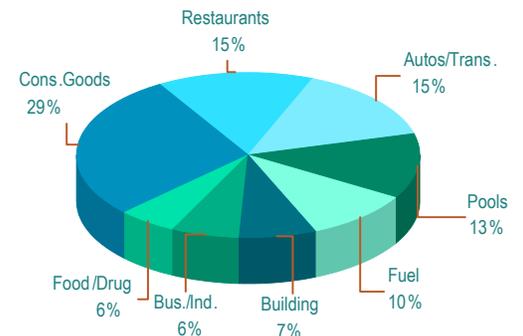
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

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 '16	Change	Change	Change
Casual Dining	62,126	12.0%	2.8%	4.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.5%	0.7%
Drug Stores	— CONFIDENTIAL —	—	5.5%	0.5%
Electronics/Appliance Stores	16,404	-13.1%	2.1%	22.4%
Family Apparel	— CONFIDENTIAL —	—	2.5%	4.4%
Fast-Casual Restaurants	20,819	66.8%	4.7%	4.2%
Garden/Agricultural Supplies	28,832	4.0%	10.6%	5.6%
Grocery Stores Beer/Wine	17,045	7.0%	-4.2%	-0.8%
Hardware Stores	— CONFIDENTIAL —	—	6.6%	5.6%
Home Furnishings	34,348	-7.6%	0.2%	0.9%
Lumber/Building Materials	— CONFIDENTIAL —	—	-1.0%	3.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	4.5%	2.7%
Quick-Service Restaurants	43,706	3.4%	4.7%	6.6%
Service Stations	87,571	-18.9%	-15.2%	-19.2%
Specialty Stores	18,260	16.8%	7.6%	2.5%
Total All Accounts	796,252	1.3%	-0.4%	-0.6%
County & State Pool Allocation	117,395	17.7%	15.8%	15.2%
Gross Receipts	913,647	3.1%	1.4%	1.4%