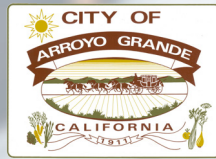


# Q4 2016



# Arroyo Grande Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

## Arroyo Grande In Brief

Arroyo Grande's receipts from October through December were 4.2% above the fourth sales period in 2015.

Continuing to benefit from increased activity and low interest rates on long-term financing options, increased autos-transportation receipts accounted for 61% of the overall gains. Growth from business and industry was supported by improved sales and the recent addition of a heavy industrial vendor, while a new casual dining establishment helped lift restaurants.

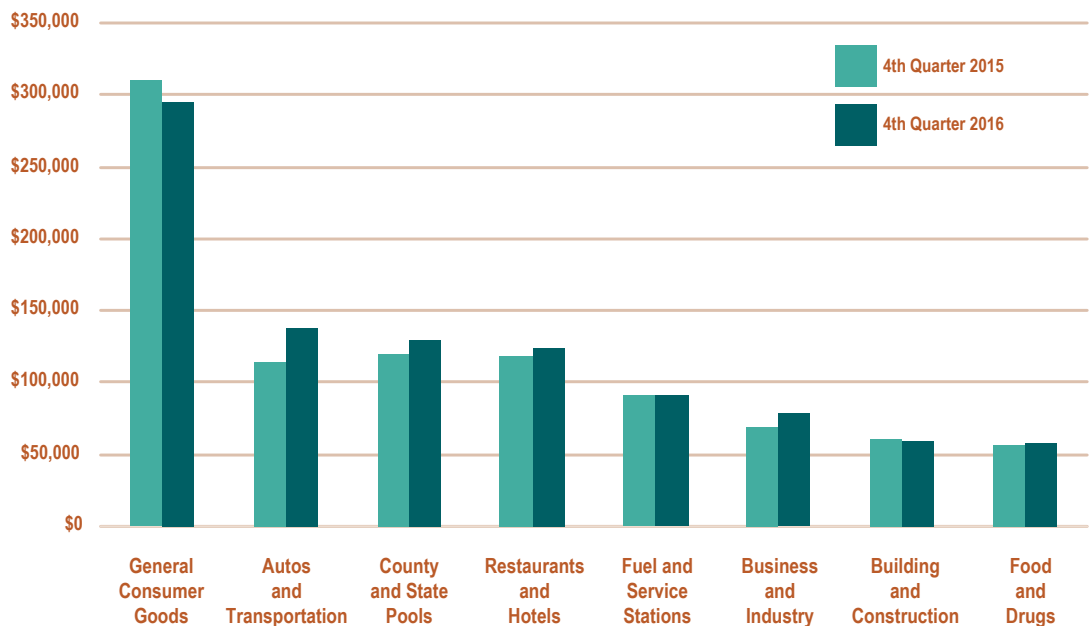
These increases in local point of sale revenue and a rise in capital and online purchases shipped into the region, grew allocations from the countywide use tax pool, further contributing to the positive outcome.

The gains were partially offset by weak holiday season results from home furnishing and electronics retailers.

The City's voter approved half-cent transaction tax, Measure O-06, generated an additional \$571,192, and increase of 1.5% of the prior year.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 0.6% over the comparable time period; the Central Coast region was up 1.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	McDonalds
Arco AM PM	Mullahey Ford
Arroyo Grande Chevrolet	OfficeMax
Arroyo Grande Shell	Pacific Shore Stones
Arroyo Grande Valero	R&R Furniture
Burke & Pace Lumber Sales	Rite Aid
Chevron	Rooster Creek
Dollar Tree	Rugged Race Products
Donnas Interiors Furniture	Smart & Final
In N Out Burgers	Streator Pipe & Supply
Kmart	Trader Joes
Marshalls	Verizon Wireless
	Walmart

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,442,508	\$2,461,246
County Pool	323,478	366,730
State Pool	2,673	1,436
<b>Gross Receipts</b>	<b>\$2,768,658</b>	<b>\$2,829,411</b>
Less Triple Flip*	\$(692,165)	\$0
<b>Measure O - 06</b>	<b>\$1,674,377</b>	<b>\$1,661,821</b>

**Statewide Results**

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

**The Shrinking, Disappearing Retail Store**

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

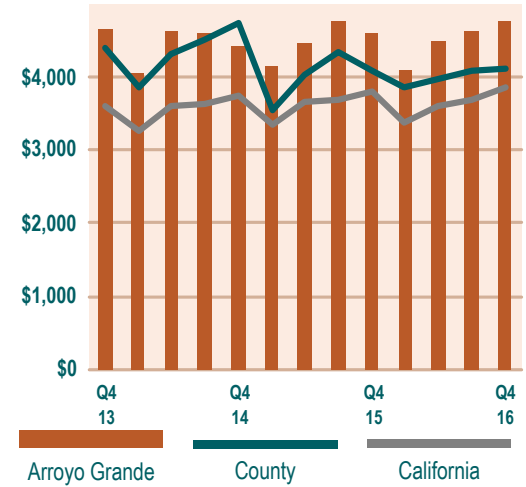
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

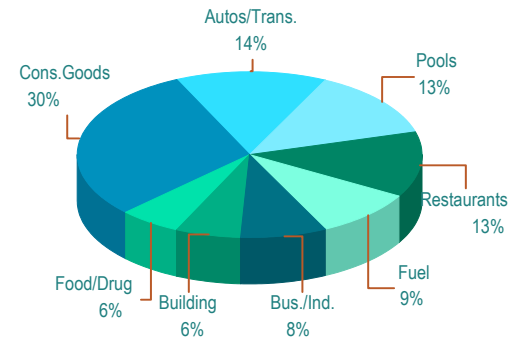
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Arroyo Grande This Quarter



**ARROYO GRANDE TOP 15 BUSINESS TYPES**

Business Type	Arroyo Grande		County	HdL State
	Q4 '16	Change	Change	Change
Building Materials	45,236	-3.4%	2.5%	0.7%
Casual Dining	58,368	7.1%	5.9%	2.7%
Convenience Stores/Liquor	12,749	30.2%	2.3%	5.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.2%	-0.6%
Drug Stores	— CONFIDENTIAL —	—	21.6%	10.2%
Electronics/Appliance Stores	19,824	-20.7%	-9.1%	-1.3%
Family Apparel	— CONFIDENTIAL —	—	8.3%	4.7%
Fast-Casual Restaurants	11,631	-1.2%	3.1%	5.3%
Garden/Agricultural Supplies	25,092	1.5%	9.6%	-2.6%
Grocery Stores	— CONFIDENTIAL —	—	1.6%	3.9%
Home Furnishings	37,681	-23.5%	-4.8%	0.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	9.9%	5.6%
Quick-Service Restaurants	43,376	-1.3%	4.6%	5.7%
Service Stations	86,735	0.8%	-1.0%	-1.0%
Specialty Stores	17,997	-8.1%	5.5%	3.7%
<b>Total All Accounts</b>	<b>843,857</b>	<b>3.6%</b>	<b>1.3%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>129,670</b>	<b>7.7%</b>	<b>5.3%</b>	<b>6.9%</b>
<b>Gross Receipts</b>	<b>973,527</b>	<b>4.2%</b>	<b>1.8%</b>	<b>3.0%</b>