

Q2 2017



Arroyo Grande Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Arroyo Grande In Brief

Arroyo Grande's receipts from April through June were 5.4% above the second sales period in 2016.

The City enjoyed a solid quarter led by higher sales from businesses in the autos-transportation sector.

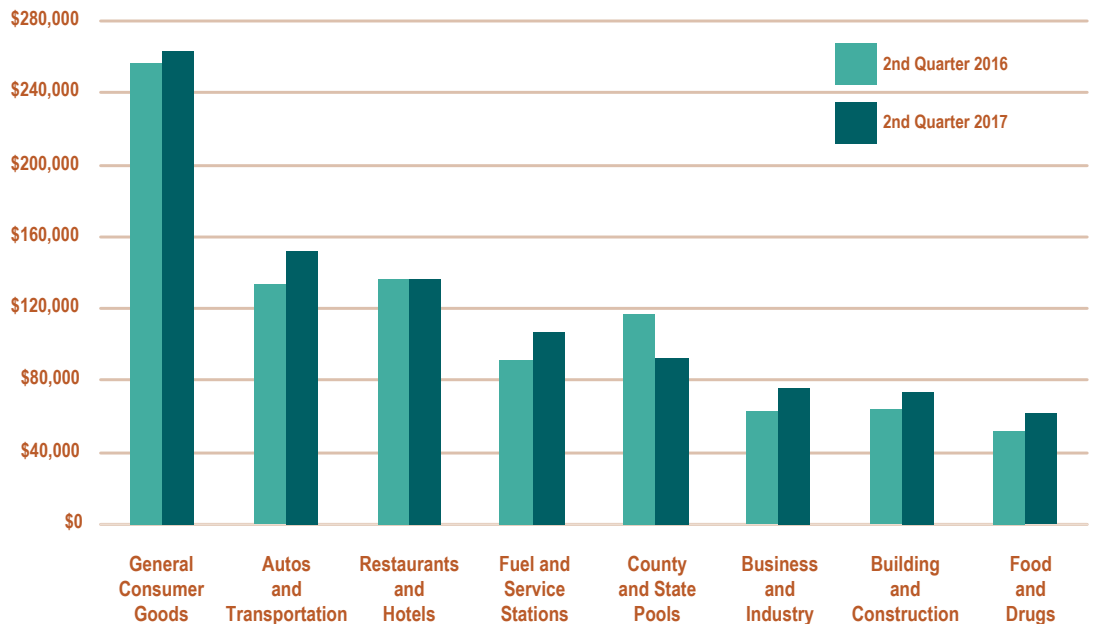
The return of higher gas prices at the pump lifted receipts from local service stations, while garden/agricultural supply store receipts also improved. The recent opening of a new food-drug outlet further enhanced the bottom line.

The most significant drag on overall growth was a 21% decrease in allocations from the countywide use tax pool. The pool is divided proportionately among county agencies based on point-of-sale receipts and a project-driven spike in allocations elsewhere in the region temporarily depressed the City's share. State audit corrections further crimped returns.

Proceeds from voter-approved Measure O-06 totaled \$558,000, an increase of 3.5% over last year's comparison quarter.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 12.3% over the comparable time period; the Central Coast region was up 4.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Marshalls
Arco AM PM	McDonalds
Arroyo Grande Chevrolet	Mullahey Ford
Arroyo Grande Shell	Pacific Shore Stones
Arroyo Grande Valero	R & R Furniture
Burke & Pace Lumber Sales	Rite Aid
Chevron	Rooster Creek
Donnas Interiors Furniture	Smart & Final
Ember Restaurant	Streator Pipe & Supply
Food 4 Less	Sweet Harvest Hydroponics & Organics
In N Out Burgers	Trader Joes
Kmart	Verizon Wireless
	Walmart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$796,252	\$870,214
County Pool	117,116	93,440
State Pool	279	(443)
Gross Receipts	\$913,647	\$963,210
Less Triple Flip*	\$0	\$0
Measure O - 06	\$538,987	\$557,777

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

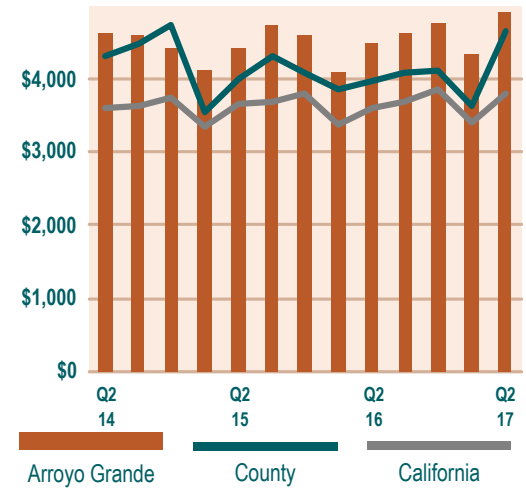
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

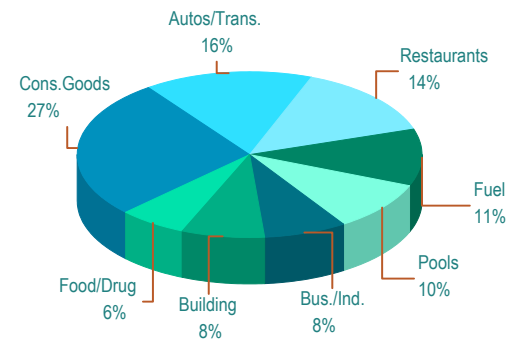
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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 '17	Change	Change	Change
Building Materials	57,175	13.4%	14.5%	6.0%
Casual Dining	70,997	5.5%	6.3%	2.1%
Contractors	15,130	62.5%	8.7%	9.7%
Discount Dept Stores	— CONFIDENTIAL —	—	1.7%	3.2%
Drug Stores	— CONFIDENTIAL —	—	0.6%	0.8%
Electronics/Appliance Stores	16,779	2.3%	-0.6%	0.2%
Family Apparel	— CONFIDENTIAL —	—	5.5%	4.0%
Fast-Casual Restaurants	15,951	-23.4%	2.0%	9.4%
Garden/Agricultural Supplies	37,087	27.9%	9.4%	4.4%
Grocery Stores	— CONFIDENTIAL —	—	5.5%	2.1%
Home Furnishings	41,097	19.6%	14.5%	0.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	6.4%	3.2%
Quick-Service Restaurants	46,463	1.9%	6.5%	5.8%
Service Stations	100,824	15.1%	7.9%	8.6%
Specialty Stores	18,672	6.1%	4.2%	1.0%
Total All Accounts	870,214	9.3%	17.7%	6.4%
County & State Pool Allocation	92,996	-20.8%	-14.7%	-9.9%
Gross Receipts	963,210	5.4%	13.5%	4.1%