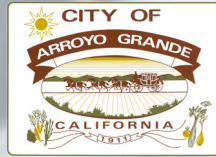


Q3 2017



Arroyo Grande Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Arroyo Grande In Brief

Arroyo Grande's receipts from July through September were 7.3% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 4.5%.

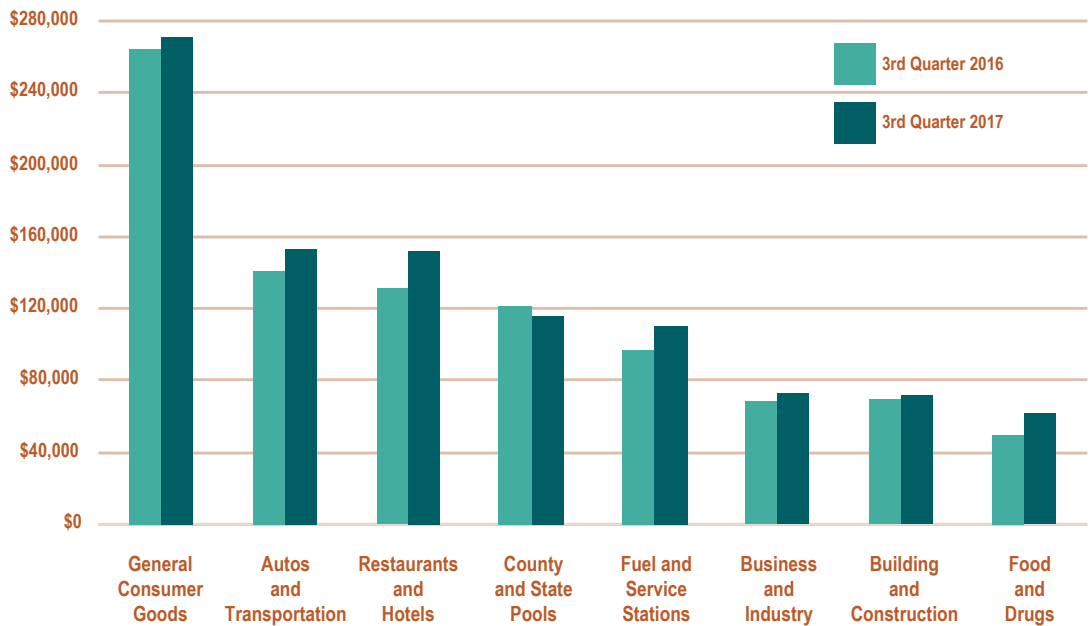
Retroactive payments and the recent addition of new eateries continue to improve interest in eating out and therefore positively impacted casual dining and quick-service restaurant returns. Higher global crude oil prices combined with regular summer consumption led to solid gains by service stations.

Improved sales, enhanced by low interest rates on long-term financing options, boosted receipts from auto merchants, while steady growth by home furnishings and sporting goods retailers further contributed to the positive outcome.

The City's voter approved half-cent transaction tax, Measure O-06, generated an additional \$571,058, an increase of 3.5% over the prior year, mostly attributed to the same results stated above.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 1.5% over the comparable time period; the Central Coast region was up 4.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Gills Food Market
Arco AM PM	In N Out Burgers
Arroyo Grande Chevrolet	Kmart
Arroyo Grande Shell	Marshalls
Arroyo Grande Valero	McDonalds
Burke & Pace Lumber Sales	Mullahey Ford
Chevron	R & R Furniture
Donnas Interiors Furniture	Rite Aid
Ember Restaurant	Rooster Creek
Field To Table Events	Smart & Final
Food 4 Less	Streator Pipe & Supply
	Trader Joes
	Verizon Wireless
	Walmart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,617,388	\$1,764,818
County Pool	237,932	208,855
State Pool	564	251
Gross Receipts	\$1,855,884	\$1,973,925
Measure O - 06	\$1,090,629	\$1,128,835

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

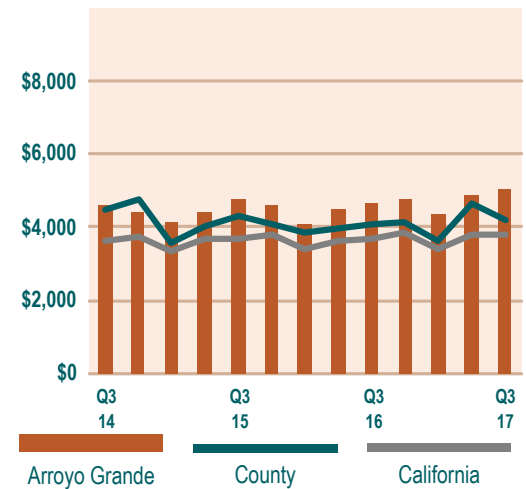
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

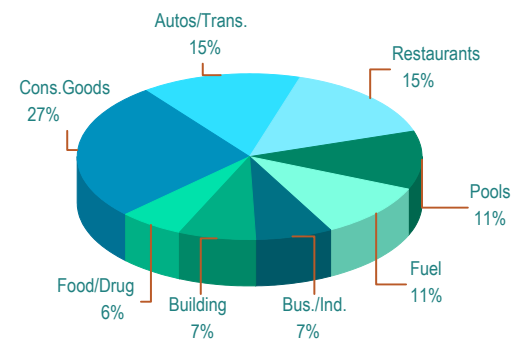
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q3 '17	Change	Change	Change
Automotive Supply Stores	13,973	17.9%	3.4%	3.7%
Building Materials	57,799	6.6%	10.0%	5.6%
Casual Dining	72,676	9.4%	3.4%	2.4%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	6.1%
Drug Stores	— CONFIDENTIAL —	—	17.7%	7.3%
Electronics/Appliance Stores	17,209	1.8%	-3.9%	0.4%
Family Apparel	— CONFIDENTIAL —	—	2.9%	1.6%
Fast-Casual Restaurants	18,583	30.1%	16.3%	8.7%
Garden/Agricultural Supplies	31,220	6.4%	12.9%	10.4%
Grocery Stores	— CONFIDENTIAL —	—	4.5%	0.6%
Home Furnishings	39,762	18.8%	5.2%	0.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-2.7%	0.9%
Quick-Service Restaurants	47,673	2.9%	-1.3%	4.8%
Service Stations	104,507	11.5%	7.3%	9.2%
Specialty Stores	17,875	3.1%	2.4%	2.2%
Total All Accounts	894,604	8.9%	2.5%	4.1%
County & State Pool Allocation	116,110	-4.1%	-9.8%	4.8%
Gross Receipts	1,010,715	7.3%	0.9%	4.2%