

CITY OF ARROYO GRANDE

SALES TAX UPDATE

4Q 2021 (OCTOBER - DECEMBER)



ARROYO GRANDE

TOTAL: \$ 1,148,413

4.4%
4Q2021



12.2%
COUNTY

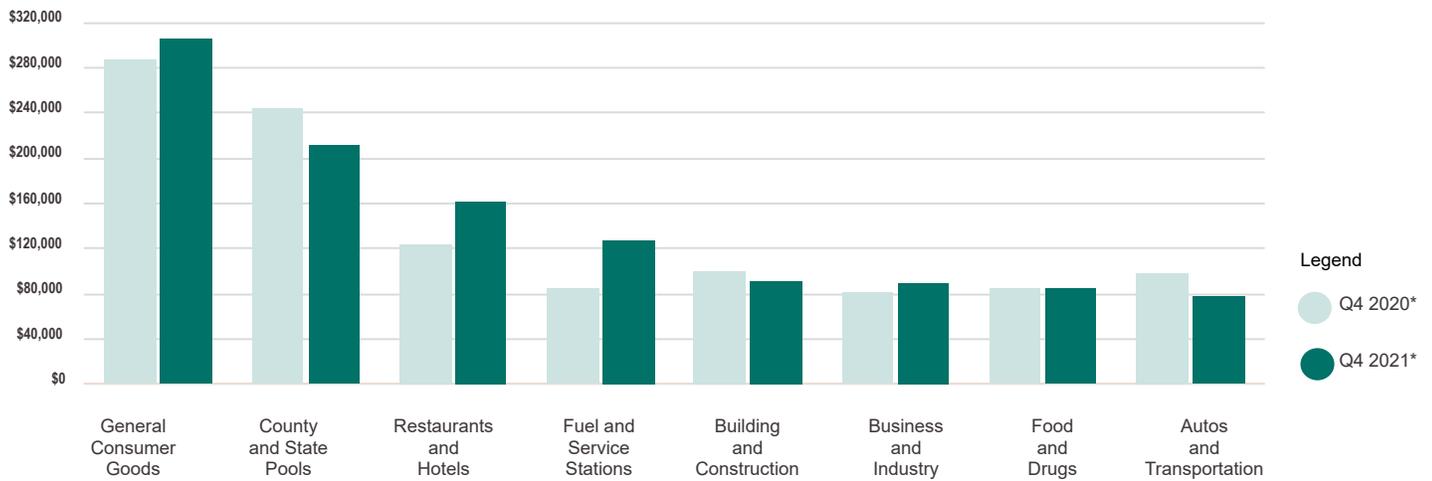


15.6%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure O - 06

TOTAL: \$708,804

8.5%



CITY OF ARROYO GRANDE HIGHLIGHTS

Arroyo Grande's receipts from October through December were 5.8% above the fourth sales period in 2020. Excluding reporting aberrations, actual sales were up 4.4%.

This solid percentage gain signifies the continued rebound from the pandemic impacts of a year ago, especially during the normal 'holiday shopping period' for general consumer goods growth.

With enhanced optional dining areas and continued pent up demand to eat out, receipts from casual and quick service restaurants were only surpassed by amounts reported during the summer in the City's history.

A rise in gas prices, caused by more commuters and the higher cost of crude oil globally, boosted revenue from service stations, a trend not likely to change for some time.

The City's transaction tax experienced similar overall positive results with increased vehicles purchased-registered and solid online sales activity by residents and local restaurants contributing the most.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 12.2% over the comparable time period; the Central Coast region was up 11.6%.



TOP 25 PRODUCERS

- | | |
|----------------------------|------------------------|
| Ace Hardware | Marshalls |
| Arroyo Grande Arco AM PM | Mason Bar |
| Arroyo Grande Chevrolet | Mobil |
| Arroyo Grande Valero | Pacific Shore Stones |
| Burke & Pace Lumber Sales | Rite Aid |
| Chevron | Rooster Creek |
| Donnas Interiors Furniture | Rugged Race Products |
| Ember Restaurant | Smart & Final |
| Food 4 Less | Streator Pipe & Supply |
| Grand Mart | Trader Joes |
| In N Out Burger | Verizon Wireless |
| John Deere Landscapes | Wal Mart |
| Katch Go | |



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of October through December were 15% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, and the strong result was a boon to local agencies across the State. Consumers spent freely as the economy continued its rebound from the pandemic and as robust labor demand reduced unemployment and drove up wages.

Brick and mortar retailers did exceptionally well as many shoppers returned to physical stores rather than shopping online as the COVID crisis waned. This was especially true for traditional department stores that have long been among the weakest categories in retail. Discount department stores, particularly those selling gas, family and women’s apparel and jewelry merchants also experienced strong sales. Many retailers are now generating revenue that is nearly as much, or even higher, than pre-pandemic levels.

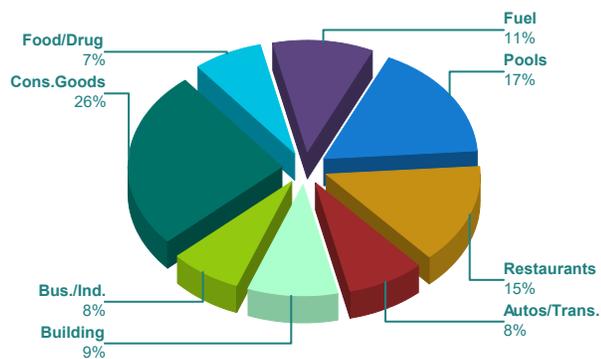
Sales by new and used car dealers were also much higher than a year ago. The inventory shortage has resulted in higher prices that have more than offset the decline in unit volume in terms of revenue generation for most dealerships. Restaurants and hotels were only moderately lower than last quarter, with both periods being the highest in the State’s history. Increased menu prices coupled with robust demand to dine out are largely responsible for these gains. These are impressive results for a sector that does not yet include the positive impact that will occur later this year as international travel steadily increases at major airports. Conference business, an important revenue component for many hotels, is also still in the early stages of recovery.

Building material suppliers and contractors were steady as growing residential and commercial property values boosted demand, particularly in the Southern California, Sacramento and San Joaquin Valley regions. Although anticipated interest rate increases by the Federal Reserve could dampen the short-term outlook for this sector, industry experts believe limited selling activity will inspire increased upgrades and improvements by existing owners. With demand remaining tight and calls for more affordable housing throughout the state, the long-term outlook remains positive.

The fourth quarter, the final sales period of calendar year 2021, exhibited a 20% rebound

in tax receipts compared to calendar year 2020. General consumer goods, restaurants, fuel and auto-transportation industries were the largest contributors to this improvement. However, the future growth rate for statewide sales tax revenue is expected to slow markedly. Retail activity has now moved past the easy year-over-year comparison quarters in 2021 versus the depths of the pandemic bottom the year before. Additional headwinds going into 2022 include surging inflation, a dramatic jump in the global price of crude oil due to Russia’s war in Ukraine and corresponding monetary tightening by the Federal Reserve. This is expected to result in weakening consumer sentiment and continued, but decelerating, sales tax growth into 2023.

REVENUE BY BUSINESS GROUP Arroyo Grande This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Arroyo Grande Business Type	Q4 '21	Change	County Change	HdL State Change
Service Stations	117,895	54.7% ↑	52.8% ↑	53.8% ↑
Casual Dining	71,838	43.8% ↑	42.1% ↑	66.4% ↑
Building Materials	62,732	-14.8% ↓	8.6% ↑	2.3% ↑
Quick-Service Restaurants	56,019	10.3% ↑	10.7% ↑	12.2% ↑
Grocery Stores	48,804	-4.0% ↓	-1.0% ↓	0.6% ↑
Garden/Agricultural Supplies	32,897	8.6% ↑	5.4% ↑	5.7% ↑
Home Furnishings	32,053	-1.4% ↓	-0.6% ↓	6.5% ↑
Electronics/Appliance Stores	27,045	4.1% ↑	10.2% ↑	8.4% ↑
Specialty Stores	24,300	12.0% ↑	18.7% ↑	18.7% ↑
Fast-Casual Restaurants	23,424	11.1% ↑	17.3% ↑	16.7% ↑

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