

# Q4 2006



# Arroyo Grande Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2006)

## Arroyo Grande In Brief

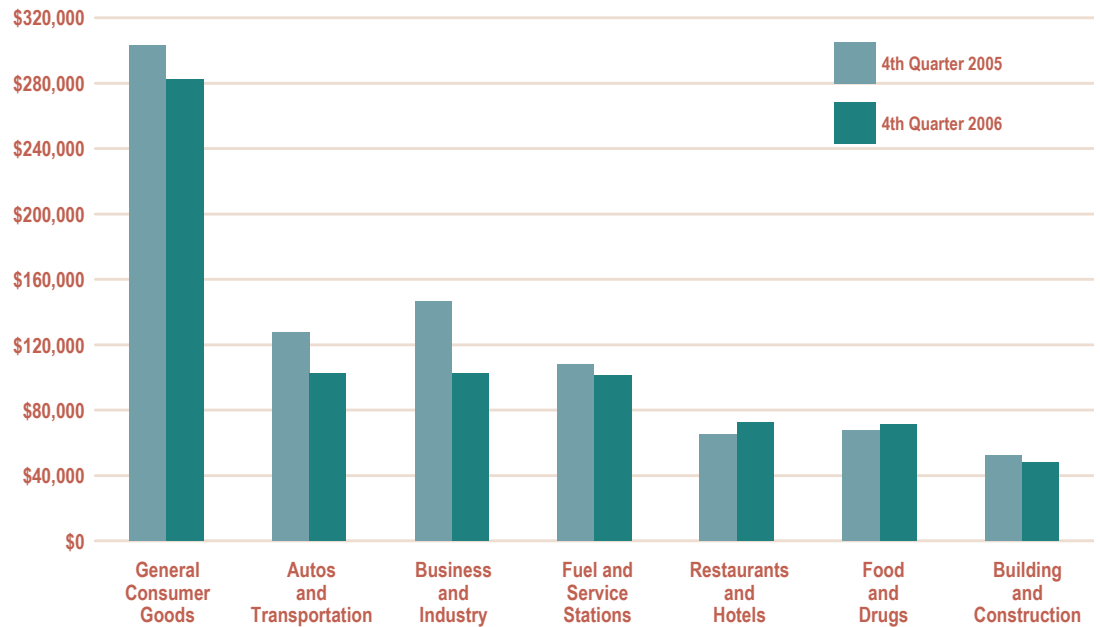
Receipts for sales occurring October to December declined 10.4% compared to a year ago but aberrations skewed results. With anomalies removed actual sales dipped 3.3%.

Business closures in home furnishings dragged down overall performance in general consumer retail. Sales activity dropped for auto-related sectors while a correction that inflated the comparison period accounted for the loss in office supplies/furniture and business/industry overall. A business change negatively impacted results in the service station group. A decline in the city's share of the countywide use tax allocation pool accounted for almost 40% of the decline in gross receipts.

Proceeds increased in several categories including restaurants with no alcohol, restaurants with beer/wine, specialty stores, used autos and sporting goods/bike stores. Correction of a prior error caused the spike in repair shop/hand tool rentals.

During the same period San Luis Obispo County as a whole rose 2.4% while the Central Coast region gained 4.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware	Marshalls
Advantage Homes	McDonalds
Albertsons	Mid State Bank
Arroyo Grande Auto Sales	Mullahey Ford
Arroyo Grande Shell	Officemax
Burke & Pace Lumber Sales	P & J Lee Partnership
Chevron	Rite Aid
Christianson Chevrolet Oldsmobile	San Luis Obispo Country Farm
Donnas Interiors Furniture	Sebastian Oil Distributor
Farm Credit West	Stan Robertsons Beacon
Grand Estate Sales	Streator Pipe & Supply
K Mart	Trader Joes
	Wal Mart

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$2,512,063	\$2,386,564
County Pool	293,857	273,308
State Pool	3,755	3,554
<b>Gross Receipts</b>	<b>\$2,809,674</b>	<b>\$2,663,426</b>
Less Triple Flip*	\$(702,419)	\$(665,856)

\*Reimbursed from county compensation fund

## Statewide Sales Flatten

Fourth quarter sales were unchanged from the same period in 2005 with payment aberrations excluded. This represented the weakest holiday performance since 2001.

As indicated below, the slump impacted all business groups with growth weaker in 2006 than in 2005 in all but Autos & Transportation.

### Fourth Quarter Sales Tax Comparison

Business Group	Q4 '06	Q4 '05
	v. Q4 '05	v. Q4 '04
Autos & Transportation	0.1%	-3.5%
Building & Construction	-5.7%	15.5%
Business & Industry	-0.5%	4.5%
Food & Drugs	2.9%	5.4%
Fuel & Service Stations	-1.6%	14.1%
General Consumer Goods	1.2%	5.0%
Restaurants & Hotels	4.1%	6.8%
HdL State	0.0%	5.3%

All figures adjusted for economic data.

The lackluster quarter was largely due to a 5.7% drop in Building & Construction receipts. The shift was a reflection of the slowdown in residential construction with the previously highest growth areas (Riverside/San Bernardino, San Joaquin Valley and the Sacramento region) experiencing the severest declines.

The dip in Business & Industry receipts was exaggerated by a \$ 1.9 M refund for taxes paid on financed purchases that later became uncollectible. Over 200 local jurisdictions in California had related negative adjustments to their fourth quarter allocations. Another factor in the decrease was a \$1M delayed return for a large business services outlet.

A temporary drop in the average price of gasoline and diesel fuel led to a 1.6% decline in receipts from Fuel & Service Stations. Pump prices have since rebounded significantly.

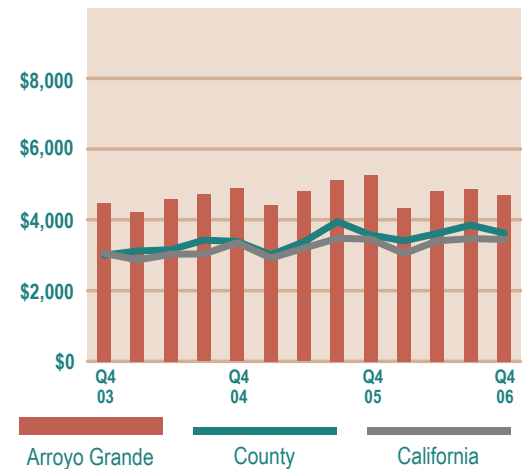
Revenues from restaurants & hotels, the quarter's bright spot, were up in nearly all areas of the state with the Bay Area and the Central Coast regions feasting best.

General Consumer Goods sales exceeded last year's by just 1.2% after a 5% gain the year before. One likely factor: an upsurge in gift card use. Since gift card sales are not taxed until the card is redeemed, more holiday related receipts are being delayed to the following quarter. Reports are that the dollar value of gift cards was up 35% compared to 2005 resulting in a surge in January 2007 sales that was 10.5% above the prior year.

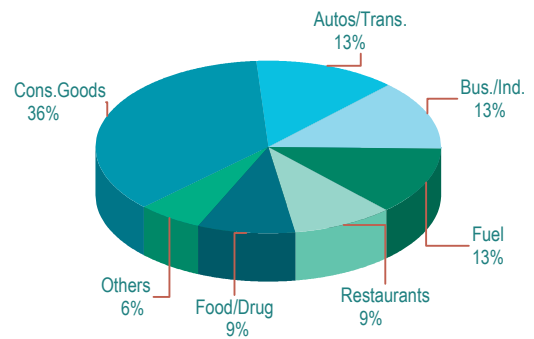
Fourth quarter Autos & Transportation results were virtually unchanged, an improvement from last year's 3.5% decline. Foreign brands continued to outperform domestics.

Economists are expressing concern about the impact of volatile energy prices, cutbacks in capital investment, and sub-prime lending on sales revenues through the remainder of calendar year 2007. However, the current consensus overall, is that statewide growth will be weaker than recent years but actual declines are not expected.

## 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 '06	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —		12.0%	4.9%
Service Stations	93,634	-7.0%	-2.0%	2.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-4.0%	0.8%
Grocery Stores Liquor	41,179	8.0%	2.0%	2.7%
Restaurants No Alcohol	34,493	15.4%	6.0%	4.0%
Lumber/Building Materials	33,214	-13.2%	-30.4%	-31.9%
Restaurants Beer And Wine	23,688	24.3%	13.6%	4.3%
Family Apparel	22,488	-0.2%	4.2%	9.6%
Home Furnishings	20,775	-52.2%	-9.1%	-2.1%
Garden/Agricultural Supplies	19,574	4.9%	-2.8%	2.1%
Drug Stores	18,515	-5.7%	-0.4%	5.7%
Specialty Stores	18,428	11.0%	-3.3%	1.4%
Repair Shop/Hand Tool Rentals	18,383	484.0%	96.4%	7.5%
Business Services	16,764	6.4%	-5.9%	-12.7%
Office Supplies/Furniture	15,610	-81.0%	-50.3%	6.1%
<b>Total All Accounts</b>	<b>\$779,812</b>	<b>-10.4%</b>	<b>2.4%</b>	<b>0.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>95,059</b>	<b>-10.5%</b>		
<b>Gross Receipts</b>	<b>\$874,871</b>	<b>-10.4%</b>		