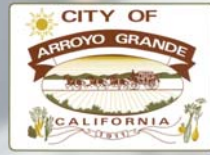


# Q4 2007



# Arroyo Grande Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2007)

## Arroyo Grande In Brief

Gross receipts from Arroyo Grande's fourth quarter sales were 4.7% higher than the same period of 2006, but accounting aberrations skewed the data. Actual sales activity declined 1.3% after anomalies are factored out.

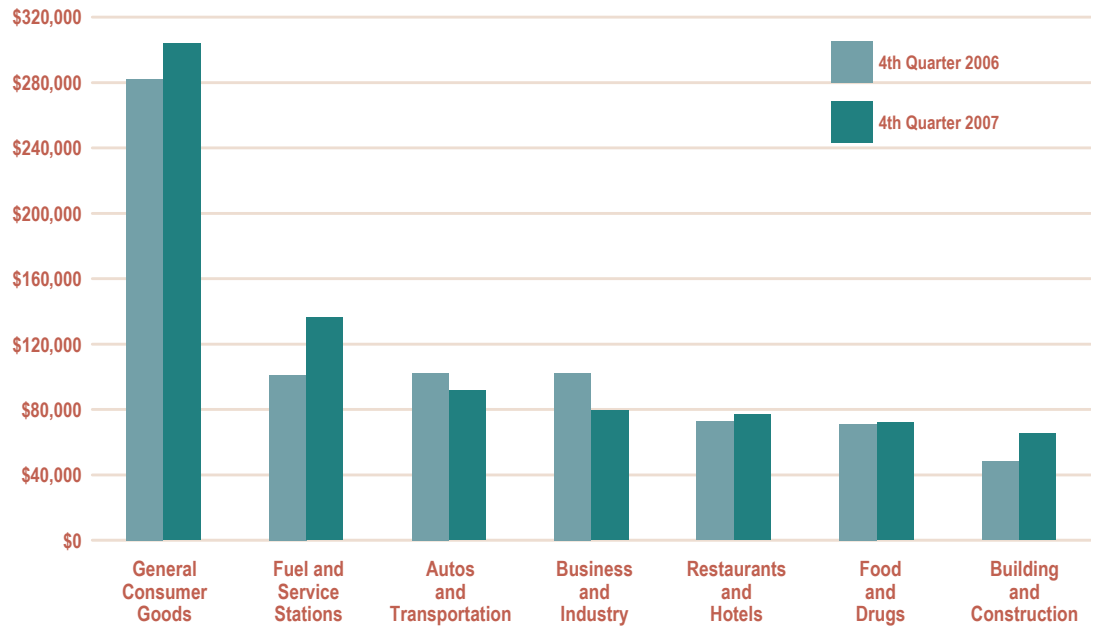
Higher prices at the pump lifted receipts from service stations and new outlets contributed to gains from restaurants serving liquor, and electronics/appliance stores. Contractor supply receipts rose due to new outlets and a double-up payment. An accounting adjustment that cut last year's returns from home furnishings combined with anomalies that impacted other categories distorted comparisons for the General Consumer Goods group. Group results were flat after deviations are removed.

Declines from restaurants serving beer/wine and some classifications in the Autos/Transportation and Business/Industry groups were exaggerated by accounting anomalies. Receipts slipped from lumber/building materials and office supplies/furniture.

The recently approved district tax generated an additional \$477,260 in revenue to the city.

Taxable sales for all of San Luis Obispo County increased 8.4% after aberrations are adjusted out. The Central Coast, as a whole, was up 1.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware	K Mart
Albertsons	Marshalls
Alliance Ready Mix	Mullahey Ford
Applebees	Officemax
Arroyo Grande Shell	P & J Lee Partnership
Burke & Pace Lumber Sales	Rite Aid
Chevron	Ritz Camera Kits Camera
Christianson Chevrolet Oldsmobile	San Luis Obispo Country Farm
Donnas Interiors Furniture	Stan Robertsons Beacon
Farm Credit West	Streator Pipe & Supply
Gills Food Market	Trader Joes
Grand Estate Sales	Wal Mart
JB Dewar	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$2,386,564	\$2,339,467
County Pool	273,308	269,667
State Pool	3,554	1,139
<b>Gross Receipts</b>	<b>\$2,663,426</b>	<b>\$2,610,273</b>
Less Triple Flip*	\$(665,856)	\$(652,568)
<b>Gross Trans. Tax</b>	<b>\$0</b>	<b>\$1,373,431</b>

\*Reimbursed from county compensation fund

## NOTES

### DECLINES IN SALES TAX REVENUES CONTINUE

Statewide tax receipts suggest lumps of coal were found in some Christmas stockings during 2007's fourth quarter. The 2.6% decline from the same period last year was the third straight quarter that receipts were either flat or down from prior year sales activity.

The 11.2% drop in auto sales and 14.5% decline in building/construction materials were somewhat more severe than anticipated. The surprise was a 3% drop in holiday spending on general consumer goods with traditional department stores, furniture and specialty stores exhibiting the greatest decreases.

The losses were partially offset by gains from rising prices of food, drugs and fuel. Restaurants managed to eek out a 1.1% increase over the previous holiday quarter although that gain may have also been price related.

Only Imperial, San Luis Obispo and Ventura Counties showed significant fourth quarter increases. But all benefited from onetime payments related to various energy projects or other anomalies, not gains in on-going sales activities.

Initial reports indicate that June receipts for sales occurring January through March of 2008 will be equally dismal. Auto dealers are expected to report another quarter of double digit declines and revenues from apparel, general consumer goods and restaurants are projected to be flat or down. The recent spike in fuel prices should produce another positive quarter for fuel and service stations and partially offset losses in other categories.

### WILL 2008-2009 BE BETTER?

Economists expect sales declines to bottom out during the next fiscal year but are uncertain on when in that year the bottom will hit.

Auto manufacturers are hoping for a slight rebound in sales in the second

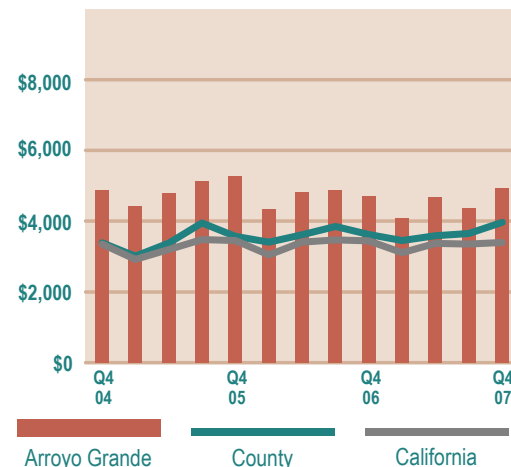
half of 2008 and into 2009. A recovery in public, commercial and industrial construction could stabilize tax receipts from building supplies although a rebound from housing related goods and materials is not expected until 2010 or 2011.

The instability of world crude oil prices, reduced refinery production and the coming seasonal driving peak are expected to maintain high fuel prices through late summer and compete with other consumer spending.

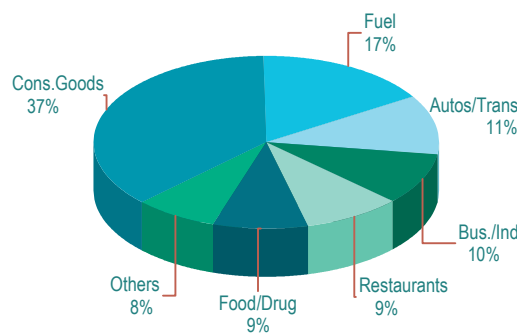
The weak dollar should continue to lure international consumers to key tourist destinations. However, capital investment by U.S. exporters is beginning to show signs of leveling off.

In late May, taxpayers will begin receiving payments of \$300 to \$1200 plus \$300 for each qualifying child through the Economic Stimulus Act of 2008. \$12.4 billion is expected to flow to California though various surveys indicate that much of the rebates will go to pay off debt or increase savings. Most analysts see the package as inducing a minor but only temporary spike in third quarter sales tax receipts.

### 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 '07	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	-0.4%	0.9%
Service Stations	128,743	37.5%	17.4%	25.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-13.9%	-9.9%
Grocery Stores Liquor	42,845	4.0%	12.1%	7.2%
Home Furnishings	39,068	88.1%	-16.4%	-7.9%
Restaurants No Alcohol	34,182	-0.9%	-1.5%	2.3%
Contractors	26,892	na	-13.1%	-15.3%
Lumber/Building Materials	25,517	-23.2%	0.6%	14.5%
Restaurants Beer And Wine	22,187	-15.7%	-9.2%	-3.8%
Family Apparel	21,942	-2.4%	1.4%	0.6%
Restaurants Liquor	20,730	76.3%	17.6%	8.7%
Garden/Agricultural Supplies	19,646	0.4%	6.5%	-6.4%
Drug Stores	18,721	1.1%	0.6%	-1.5%
Specialty Stores	15,919	-13.6%	0.2%	-1.7%
Office Supplies/Furniture	14,236	-8.8%	-4.3%	2.6%
<b>Total All Accounts</b>	<b>\$825,574</b>	<b>5.9%</b>	<b>10.2%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>90,433</b>	<b>-4.9%</b>		
<b>Gross Receipts</b>	<b>\$916,006</b>	<b>4.7%</b>		