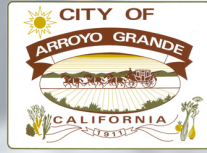


# Q1 2012



# Arroyo Grande Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2012)

## Arroyo Grande In Brief

Receipts for Arroyo Grande's January through March sales were 7.8% higher than the same quarter one year ago. Actual sales activity was up 8.2% when reporting aberrations were factored out.

The addition of new electronics and specialty stores were factors in the overall gain from general consumer goods. A new eatery also contributed to the sales increases from the restaurant group.

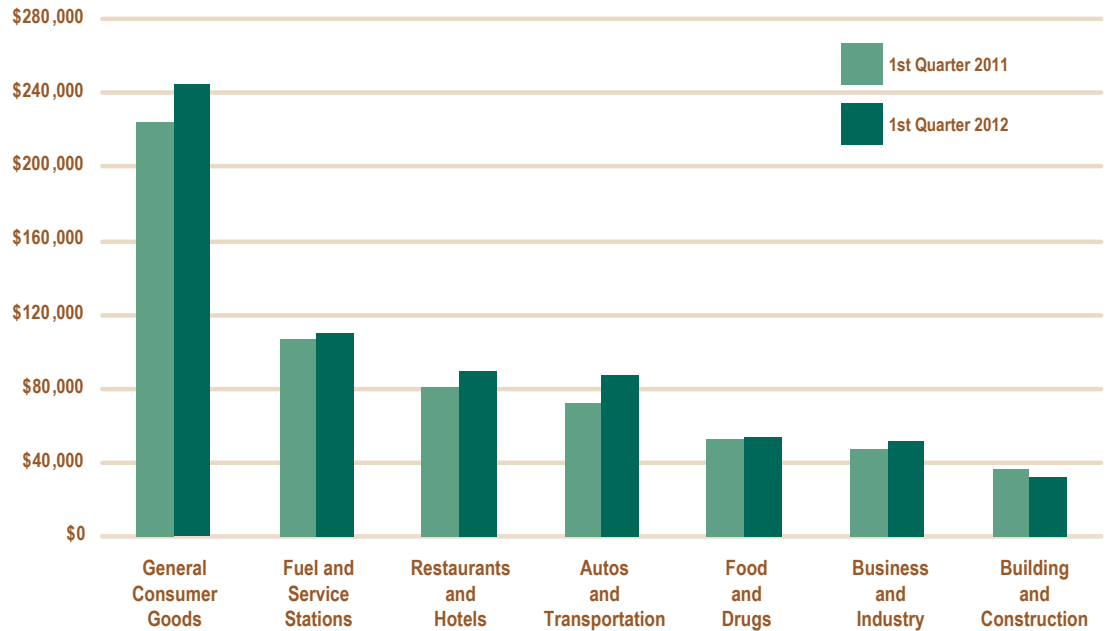
Business and industry experienced a strong sales quarter from garden/agricultural supplies, medical/bio-tech supplies, and drugs/chemicals. The autos and transportation sector also posted increases from multiple categories.

Higher prices at the pump helped boost service station receipts; however, accounting adjustments muted the overall increase. Payment anomalies that inflated the comparison quarter were responsible for temporarily depressing results from the building and construction group.

The city's half-cent transactions tax generated an additional \$416,994, a 4.4% increase over last year.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County increased 14.2% over the comparable time period, while the Central Coast region as a whole was up 10.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware	In N Out Burger
Albertsons	K Mart
Aqua Systems	Marshalls
Arco AM PM	McDonalds
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	Officemax
Burke & Pace Lumber Sales	Petco
Chevron	Rite Aid
Chilis	San Luis Obispo Country Farm
Christianson Chevrolet	Slo World
Donnas Interiors Furniture	Trader Joes
Grand Estate Furniture	Verizon Wireless
	Walmart

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$2,619,705	\$2,765,411
County Pool	291,818	313,613
State Pool	1,174	1,026
<b>Gross Receipts</b>	<b>\$2,912,697</b>	<b>\$3,080,051</b>
Less Triple Flip*	\$(728,174)	\$(770,013)
<b>Gross Trans. Tax</b>	<b>\$1,700,149</b>	<b>\$1,798,478</b>

\*Reimbursed from county compensation fund

**Statewide Results**

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

**The Year Ahead**

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

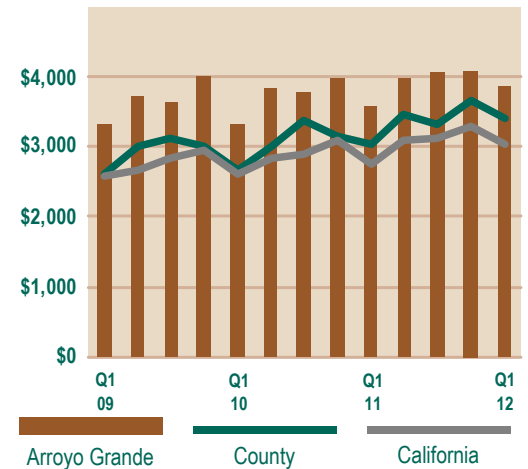
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

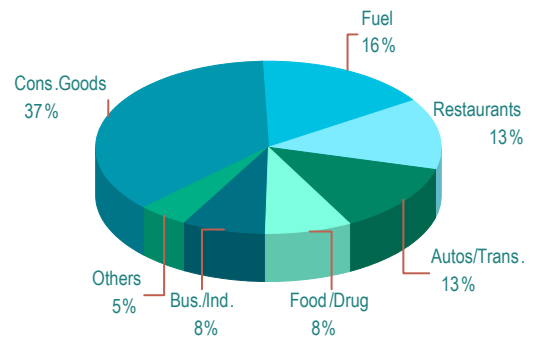
The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Arroyo Grande This Quarter



**ARROYO GRANDE TOP 15 BUSINESS TYPES**

Business Type	Arroyo Grande		County	HdL State
	Q1 '12	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	12.2%	5.6%
Drug Stores	16,069	1.3%	-0.7%	2.7%
Electronics/Appliance Stores	17,166	18.3%	4.5%	0.5%
Family Apparel	21,589	4.6%	6.1%	11.9%
Garden/Agricultural Supplies	17,161	6.9%	4.6%	8.8%
Grocery Stores Liquor	28,055	3.6%	0.2%	5.5%
Hardware Stores	— CONFIDENTIAL —	—	2.4%	3.4%
Home Furnishings	40,205	34.7%	9.7%	7.1%
Lumber/Building Materials	16,756	9.2%	7.6%	8.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	12.3%	14.5%
Restaurants Beer And Wine	18,095	-7.9%	5.6%	4.2%
Restaurants Liquor	28,884	39.1%	8.4%	12.9%
Restaurants No Alcohol	41,082	6.8%	17.8%	9.5%
Service Stations	108,235	9.1%	14.9%	13.3%
Specialty Stores	16,453	95.1%	14.7%	6.5%
<b>Total All Accounts</b>	<b>\$670,013</b>	<b>8.2%</b>	<b>11.7%</b>	<b>9.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>73,621</b>	<b>5.1%</b>		
<b>Gross Receipts</b>	<b>\$743,635</b>	<b>7.8%</b>		