

Q3 2009



Arroyo Grande Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2009)

Arroyo Grande In Brief

Receipts for sales occurring in the July to September quarter were 14.9% lower than the same period last year but aberrations skewed results. With anomalies removed, actual sales slipped 9.9%.

A late allocation exaggerated the drop in Fuel & Service Stations from lower prices and commercial activity. This loss accounted for over half of the overall decline in gross receipts.

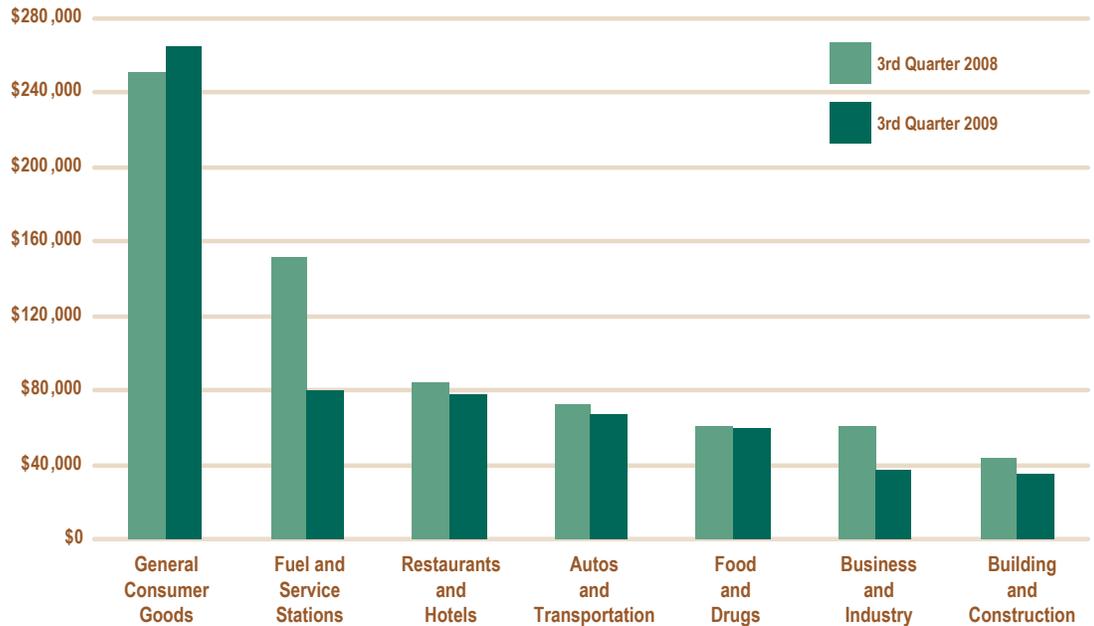
Persistent recessionary conditions negatively impacted most sectors including restaurants and lumber/building materials. A taxpayer refund was a large portion of the decrease in Business & Industry.

A new store boosted returns in the home furnishing category adding to gains in other general retail sectors including family apparel and electronics/appliance stores.

The city's half cent transaction tax (Measure O) generated \$409,783 that was 6.2% lower than a year ago.

Adjusted for reporting aberrations, taxable sales for all of San Luis Obispo County, including its cities, declined 17.8% over the comparable time period while the Central Coast region as a whole was down 15.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

7 Eleven	Gills Food Market
Ace Hardware	K Mart
Advantage Homes	Marshalls
Albertsons	McDonalds
Aqua Systems	Mullahey Ford
Arroyo Grande Shell	Officemax
Arroyo Grande Valero	Quarterdeck
Burke & Pace Lumber Sales	Rite Aid
Chevron	San Luis Obispo Country Farm
Chilis Grill & Bar	Slo World
Christianson Chevrolet Oldsmobile	Trader Joes
Donnas Interiors Furniture	Verizon Wireless
	Wal Mart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$1,445,595	\$1,261,528
County Pool	155,341	125,740
State Pool	427	1,239
Gross Receipts	\$1,601,362	\$1,388,507
Less Triple Flip*	\$(400,341)	\$(347,127)
Gross Trans. Tax	\$924,139	\$809,008

*Reimbursed from county compensation fund

Statewide Sales Declines

With aberrations factored out, statewide sales tax receipts for July through September declined 16.4% from the same quarter of 2008. It is anticipated that this will be the last quarter of comparative double digit decreases as the recession begins to bottom out.

This quarter's declines were led by a 32.6% fall from last year's spike in fuel prices and another 25.2% drop in tax receipts from building and construction materials.

The 9.9% decline in new car receipts was the smallest decrease in this category in seven consecutive quarters. The "cash for clunkers" program was partially responsible for the lower contraction although the tax benefits were muted as exempt federal rebates reduced the taxable values of cars purchased under the program by an average of \$4,200.

Edmunds.com estimates that 72% of the purchases would have occurred without the rebate which, if true, means that the program accomplished its goal of accelerating the clearing of inventories to get auto workers back to work but partially borrowed from future sales.

A 10.1% drop in tax revenues from general consumer goods was attributed to falling prices and continuing weak sales in home furnishings, appliances and electronics, as well as disappointing back to school purchases which normally constitute the second largest retail season of the year.

But Slow Recovery

Prognostications are for overall smaller sales tax declines in the next two quarters with revenues flattening out by fiscal year 2010/2011. However, tight credit, high unemployment, price pressures and the end of federal stimulus funding are expected to stall significant recovery until the year after.

Triple Flip Woes

The state's attempts to borrow its way out of its budget problems continued to create havoc with local government fiscal planning with this year's 27.6% average cutback in triple flip backfill payments.

In order to get around the state's flagging bond rating, the borrowing approved by voters in 2004 to close that year's deficit pledged a portion of local sales tax revenues to guarantee the bonds. The complex scheme to backfill the confiscated local sales tax with property tax revenues is referred to as the "triple flip."

Although the deduction occurs in real time, the estimated backfill is set by the state Department of Finance before the fiscal year begins. Last year's overly optimistic revenue projections resulted in overpayments to most local agencies thereby resulting in substantially lower estimates and negative adjustments in this year's backfills to individual agencies.

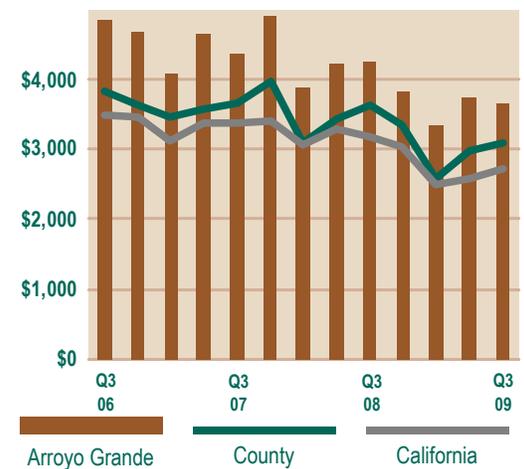
The 2004 bonds are currently estimated to be paid and the triple flip ended by April of 2016.

Stimulus Update

Approximately two thirds of the estimated \$85 billion in federal stimulus flowing to California is expected to have been spent by the end of this fiscal year with the bulk filling state budget gaps in education, health and human services, as well as providing tax relief to individuals and businesses.

The \$20.5 billion portion available for public capital improvement projects is half committed with actual expenditures expected to begin later in 2010.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q3 '09	Change	Change	Change
Discount Dept Stores	—	CONFIDENTIAL	-4.2%	-4.4%
Service Stations	76,614	-45.3%	-30.5%	-28.8%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-1.6%	-9.8%
Restaurants No Alcohol	33,672	-7.5%	-3.6%	-10.1%
Grocery Stores Liquor	32,776	3.9%	4.4%	-1.4%
Home Furnishings	28,328	38.9%	-20.5%	-17.9%
Restaurants Liquor	22,400	-4.6%	-1.5%	-4.0%
Family Apparel	21,038	9.6%	12.1%	2.2%
Restaurants Beer And Wine	19,889	-13.5%	-7.4%	-14.4%
Garden/Agricultural Supplies	18,388	-9.9%	-15.5%	-15.0%
Lumber/Building Materials	17,860	-22.4%	-25.8%	-14.3%
Drug Stores	17,806	-1.2%	-3.7%	-1.0%
Electronics/Appliance Stores	15,289	17.2%	-19.9%	-13.7%
Specialty Stores	14,828	-2.1%	-16.0%	-10.1%
Hardware Stores	13,563	-3.0%	234.7%	222.9%
Total All Accounts	\$623,490	-14.2%	-14.8%	-13.9%
County & State Pool Allocation	60,381	-21.3%		
Gross Receipts	\$683,871	-14.9%		