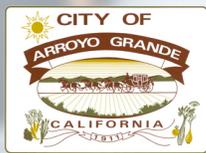


# Q2 2011



# Arroyo Grande Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

## Arroyo Grande In Brief

Receipts for Arroyo Grande's April through June sales were 2.7% higher than the same quarter one year ago. Actual sales activity was up 4.1% when reporting aberrations were factored out.

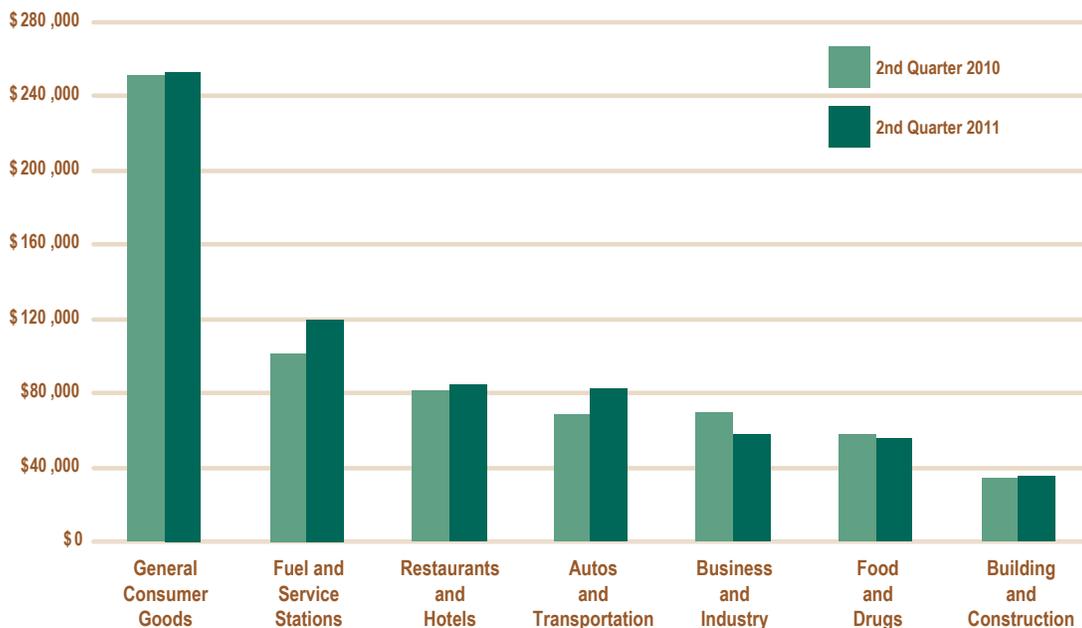
Auto sales and auto supply stores posted a strong quarter and higher prices at the pump helped boost service station receipts, both of which account for a large part of the city's gain. A new eatery was a significant factor in the overall increase from the restaurants and hotels sector. Receipts from general consumer goods were flattened, in part, by business closures that partially offset sales increases from home furnishings, electronics, and sporting goods.

A onetime use tax payment that temporarily inflated last year's allocation from a category of business and industry was largely responsible for the current decrease. Losses from grocery stores were factors in the decrease from the food and drugs group.

The city's voter approved transactions tax generated an additional \$454,584 in revenue, an increase of 11.5% over the same quarter last year.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County increased 13.3% over the comparable time period, while the Central Coast region as a whole was up 8.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

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

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$663,239	\$687,888
County Pool	74,820	71,082
State Pool	356	(403)
<b>Gross Receipts</b>	<b>\$738,415</b>	<b>\$758,567</b>
Less Triple Flip*	\$(184,604)	\$(189,642)
<b>Gross Trans. Tax</b>	<b>\$407,629</b>	<b>\$454,584</b>

\*Reimbursed from county compensation fund

### Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

### Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

### Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

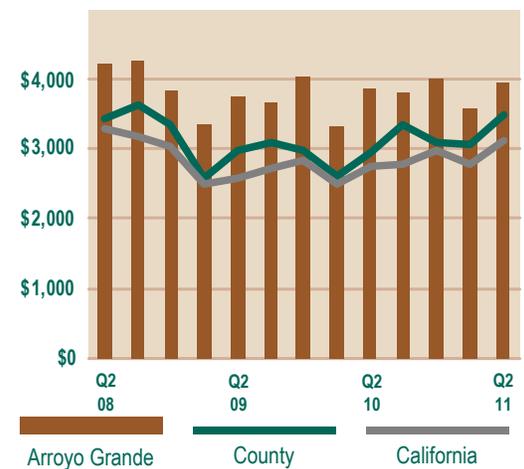
which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

### SALES PER CAPITA



### ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q2 '11	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	6.7%	6.4%
Drug Stores	16,785	-0.8%	3.0%	2.6%
Electronics/Appliance Stores	14,473	4.6%	6.9%	3.2%
Family Apparel	22,033	13.8%	-0.3%	12.6%
Garden/Agricultural Supplies	21,256	1.4%	4.8%	4.4%
Grocery Stores Liquor	28,992	-4.1%	1.3%	1.5%
Hardware Stores	— CONFIDENTIAL —	—	2.1%	2.6%
Home Furnishings	34,292	3.8%	0.8%	3.5%
Lumber/Building Materials	17,414	-0.3%	2.8%	1.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	11.6%	9.8%
Restaurants Beer And Wine	18,152	-10.3%	10.9%	-1.3%
Restaurants Liquor	23,083	2.4%	5.5%	8.7%
Restaurants No Alcohol	41,631	15.0%	6.3%	3.5%
Service Stations	114,390	20.4%	27.7%	31.0%
Specialty Stores	11,747	-23.2%	-7.7%	5.4%
<b>Total All Accounts</b>	<b>\$687,888</b>	<b>3.7%</b>	<b>16.8%</b>	<b>10.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>70,679</b>	<b>-6.0%</b>		
<b>Gross Receipts</b>	<b>\$758,567</b>	<b>2.7%</b>		