

Q4 2012



Arroyo Grande Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Arroyo Grande In Brief

Receipts for Arroyo Grande's October through December sales were 2.7% higher than the same quarter one year ago.

General consumer goods posted sales increases from multiple categories including, electronics and home furnishings; however, the gain was inflated by payment anomalies. The autos and transportation group also experienced a strong sales quarter from various categories and service stations were up.

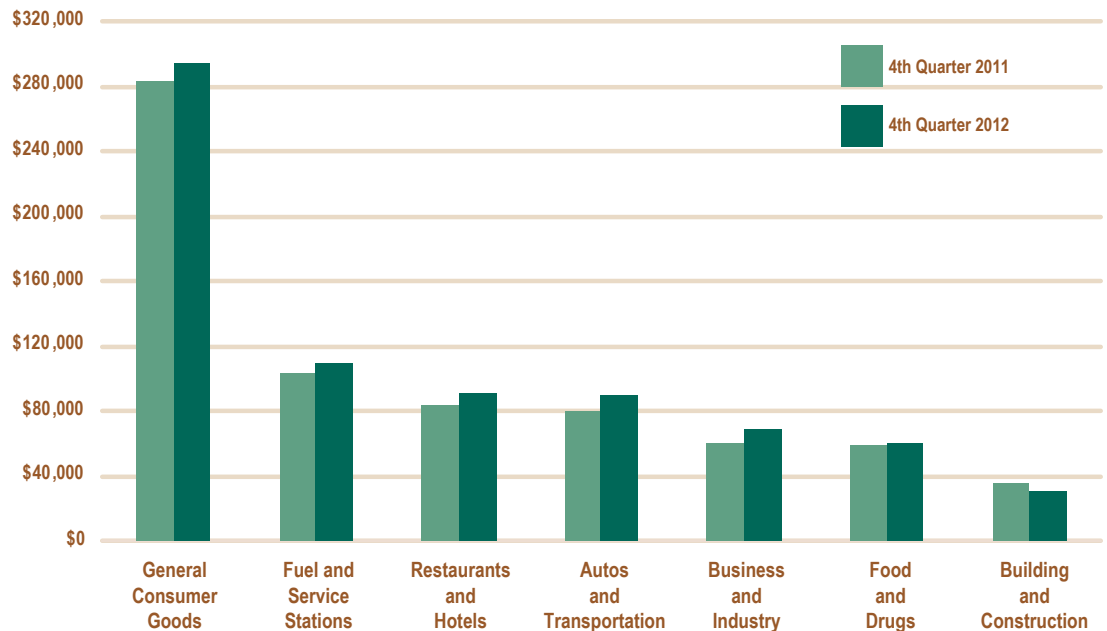
Receipts from restaurants were lifted, in part, by the addition of new eateries that were not in business during the same quarter last year. Food and drug receipts benefited from a new grocery store while, a onetime use tax helped boost business and industry.

The decrease from building and construction was exaggerated by an accounting adjustment that temporarily depressed contractor supplies.

The city's voter approved transactions tax generated an additional \$482,345 in revenue, an increase of 2.8% over the same quarter last year.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County increased 34.4% over the comparable time period, while the Central Coast region as a whole was up 10.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Ace Hardware	Get A Mattress
Albertsons	In N Out Burgers
Aqua Systems	K Mart
Arco AM PM	Marshalls
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	Officemax
Burke & Pace Lumber Sales	Pierce Manufacturing
California Cubs	Rite Aid
Chevron	San Luis Obispo Country Farm
Christianson Chevrolet	Smart & Final
Dollar Tree	Trader Joes
Donnas Interiors Furniture	Verizon Wireless
	Walmart

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$2,095,398	\$2,176,811
County Pool	240,685	211,026
State Pool	332	966
Gross Receipts	\$2,336,416	\$2,388,803
Less Triple Flip*	\$(584,104)	\$(597,201)
Gross Trans. Tax	\$1,381,484	\$1,446,007

*Reimbursed from county compensation fund

NOTES

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

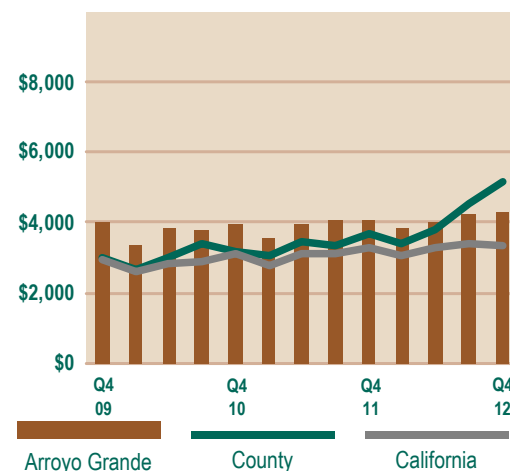
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Sentate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q4 '12	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	2.9%	4.4%
Drug Stores	17,134	-8.2%	-6.0%	-4.5%
Electronics/Appliance Stores	23,217	53.5%	-20.5%	3.6%
Family Apparel	— CONFIDENTIAL —	—	5.3%	8.3%
Garden/Agricultural Supplies	18,366	4.5%	3.4%	1.0%
Grocery Stores Liquor	31,581	5.3%	-12.4%	-17.6%
Hardware Stores	— CONFIDENTIAL —	—	3.1%	11.4%
Home Furnishings	36,851	5.6%	3.3%	6.3%
Lumber/Building Materials	19,150	-4.0%	-60.7%	-68.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	15.5%	17.2%
Restaurants Beer And Wine	17,941	-8.3%	-2.3%	0.2%
Restaurants Liquor	30,162	38.6%	12.4%	8.0%
Restaurants No Alcohol	41,622	2.0%	8.3%	5.1%
Service Stations	108,036	5.4%	2.4%	2.8%
Specialty Stores	14,332	1.3%	2.3%	-0.6%
Total All Accounts	\$745,141	5.7%	40.0%	2.0%
County & State Pool Allocation	75,755	-19.3%		
Gross Receipts	\$820,896	2.7%		