

Q1 2014



Arroyo Grande Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Arroyo Grande In Brief

Receipts for Arroyo Grande's January through March sales were 2.4% higher than the same quarter one year ago.

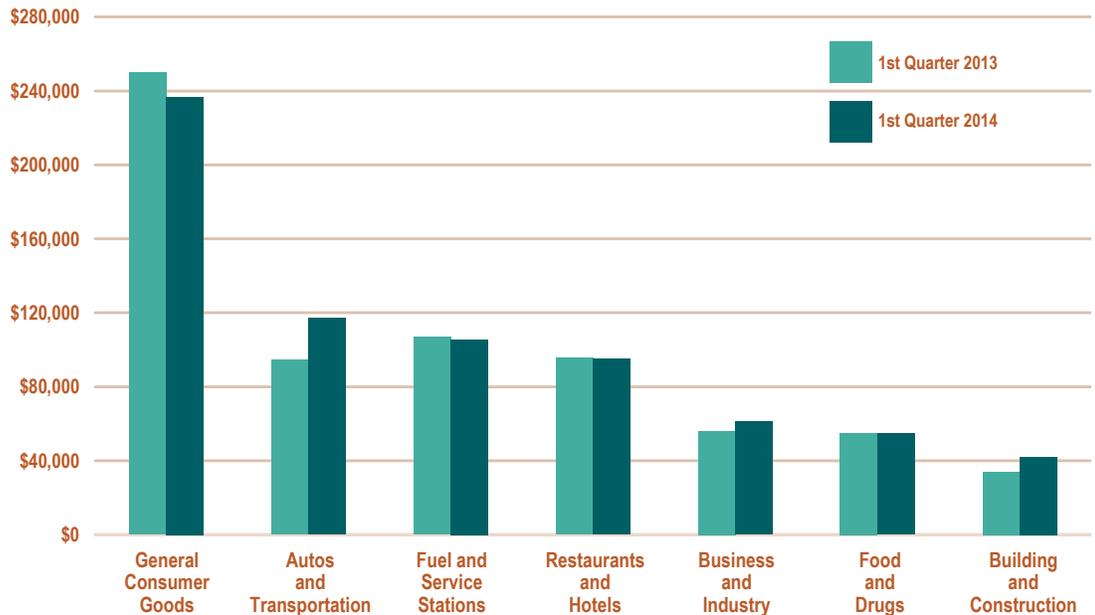
Recent additions contributed to increases from fast-casual eateries and garden/agricultural supplies. Both the business and industry and building and construction sectors posted solid results, but grocery-liquor, home furnishings and automotive group comparisons were inflated by accounting anomalies that affected one or both quarters.

Lower fuel prices pared service station returns while a prior business closure was a major factor for casual dining losses. Sales declined from several categories of general consumer goods.

Proceeds from Measure O-06, the city's voter-approved transactions tax, totaled \$477,160 for the quarter, a 1.5% increase over the year-ago comparison period.

Adjusted for reporting aberrations, taxable sales for all of San Luis Obispo County decreased 1.0% over the same period, while the Central Coast region as a whole was up 2.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Get A Mattress
Albertsons	Gills Food Market
Aqua Systems	In N Out Burgers
Arco AM PM	K Mart
Arroyo Grande Auto Sales	Marshalls
Arroyo Grande Chevrolet	Mullahey Ford
Arroyo Grande Shell	Officemax
Arroyo Grande Valero	PFG Arroyo Grande
Burke & Pace Lumber Sales	Rooster Creek
Chilis	San Luis Obispo Country Farm
Donnas Interiors Furniture	Smart & Final
	Trader Joes
	Verizon Wireless
	Walmart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$2,869,020	\$3,027,798
County Pool	286,491	337,905
State Pool	1,463	2,012
Gross Receipts	\$3,156,974	\$3,367,715
Less Triple Flip*	\$(789,244)	\$(841,929)
Measure O - 06	\$1,915,894	\$2,046,934

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

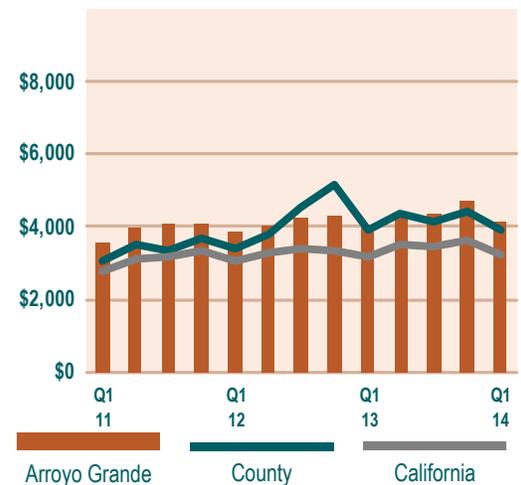
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q1 '14	Change	Change	Change
Automotive Supply Stores	12,095	-7.8%	6.4%	0.0%
Casual Dining	34,326	-10.6%	7.4%	7.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-3.2%	-2.6%
Electronics/Appliance Stores	15,401	-8.3%	35.5%	2.4%
Family Apparel	— CONFIDENTIAL —	—	-8.9%	-3.2%
Fast-Casual Restaurants	24,298	21.8%	0.2%	10.6%
Garden/Agricultural Supplies	19,660	6.6%	9.4%	4.5%
Grocery Stores Liquor	33,904	13.9%	0.1%	-14.7%
Home Furnishings	37,270	7.6%	11.7%	6.8%
Lumber/Building Materials	24,927	33.9%	24.9%	16.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	5.6%	9.4%
Quick-Service Restaurants	33,604	2.5%	3.5%	4.8%
Service Stations	103,324	-1.5%	-1.9%	-1.0%
Specialty Stores	14,095	-1.6%	95.0%	2.7%
Used Automotive Dealers	— CONFIDENTIAL —	—	54.6%	11.6%
Total All Accounts	\$713,130	3.0%	-0.3%	3.2%
County & State Pool Allocation	\$73,727	-2.9%	-6.0%	7.7%
Gross Receipts	\$786,856	2.4%	-0.8%	3.7%