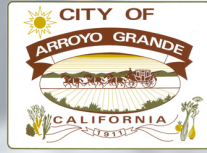


# Q2 2010



# Arroyo Grande Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2010)

## Arroyo Grande In Brief

The allocation for Arroyo Grande's second quarter sales was 4.8% higher than the same period one year ago. Actual sales increased 3.7% after accounting aberrations were excluded.

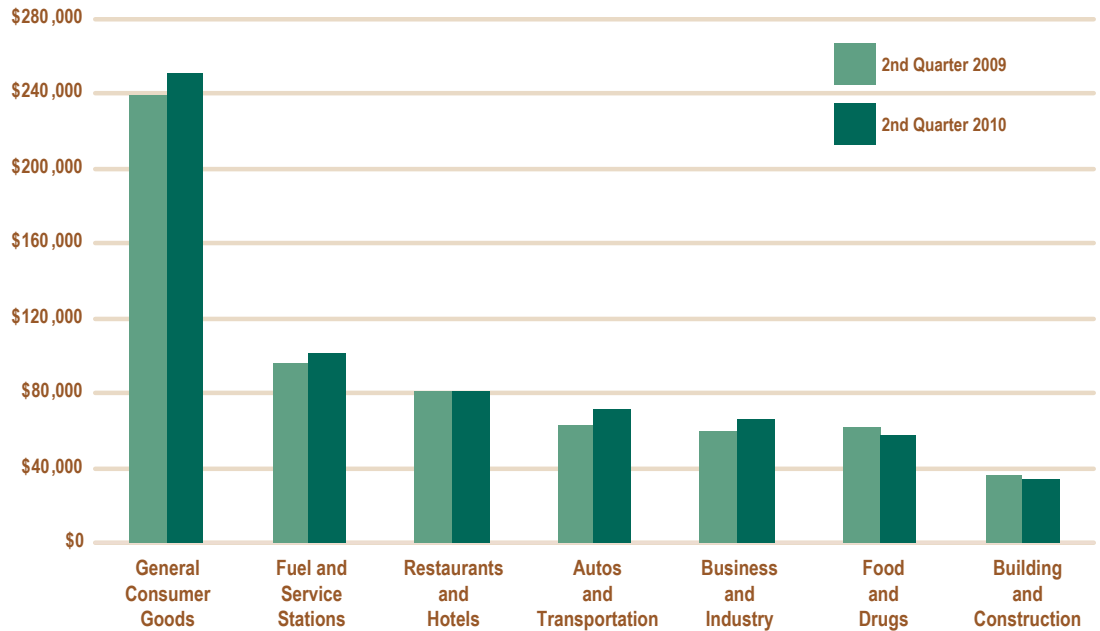
The city experienced gains from higher prices at the pump, recent additions to home furnishings and garden/agricultural supplies, and increased sales from some categories in the autos/ transportation sector. A use tax payment provided a one-time boost to the business/industry group. Accounting deviations inflated comparisons for restaurants-no alcohol, specialty retail and electronics/appliances. The city's allocation from the countywide use tax pool also contributed to the overall increase.

Postings declined from the food/drugs group, hardware stores and some classifications of general consumer goods. The receipt of a double-up payment in the year-ago period depressed the comparison for restaurants serving beer & wine.

The city's half-cent voter-approved transactions tax generated an additional \$470,629 in revenue over the same period, which included \$10,260 due from prior quarters.

Adjusted for reporting deviations, taxable sales for all of San Luis Obispo County declined 3.3% over the comparable period of time; the Central Coast region was up 3.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS In Alphabetical Order

Ace Hardware	Grand Estate Furniture
Albertsons	K Mart
Aqua Systems	Marshalls
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	Officemax
Baja Fresh	P & J Lee Partnership
Burke & Pace Lumber Sales	Rite Aid
Chevron	San Luis Obispo Country Farm
Chilis Grill & Bar	Slo World
Christianson Chevrolet Oldsmobile	St Louis Based World Wide Technology
Donnas Interiors Furniture	Trader Joes
Gills Food Market	Verizon Wireless Wal Mart

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$638,038	\$663,239
County Pool	65,962	74,820
State Pool	636	356
<b>Gross Receipts</b>	<b>\$704,636</b>	<b>\$738,415</b>
Less Triple Flip*	\$(176,159)	\$(184,604)
<b>Gross Trans. Tax</b>	<b>\$399,225</b>	<b>\$407,629</b>

\*Reimbursed from county compensation fund

## California Overall

Local sales and use tax revenues for sales occurring April through June 2010 were 4.7% higher than the same quarter of 2009 after accounting aberrations were factored out. However, the comparison is against a quarter that was 18.4% below the same quarter of 2008 which in turn, was 4.0% lower than the same period of 2007.

Rising fuel prices were again a major part of the quarterly increase. Pent-up demand and manufacturer incentives produced impressive gains in auto and RV sales. Capital investment in technology, equipment and supplies to reduce labor and energy costs drove expanded receipts from business and industrial purchases.

Areas surrounding the Silicon Valley continue to be the center of greatest recovery though a recent up-tick in travel helped produce gains in some vacation/resort communities. The inland parts of California still lag the coastal regions.

## It's Official! The Recession is Over!

The National Bureau of Economic Research (NBER) has announced that the recession ended in June of 2009. Technically, this means that economic indicators show that the economy has finally bottomed out. It does not mean that a recovery has occurred.

This year's earlier exuberance has given way to near consensus among economists that the state's recovery will be slow with less than average growth over the next two years.

The argument is that further deleveraging from years of over-spending, over-borrowing, hyper-speculative investment and unsustainable real estate prices must occur before we reach the base on which normal growth restarts. With the focus on productivity innovations rather than jobs, unemployment is expected to stay in double digits at least until the end of 2012. Sales tax revenues are expected to continue to recover but at slightly lower rates than

experienced earlier in the year from various tax credit, stimulus rebate and manufacturer incentive programs.

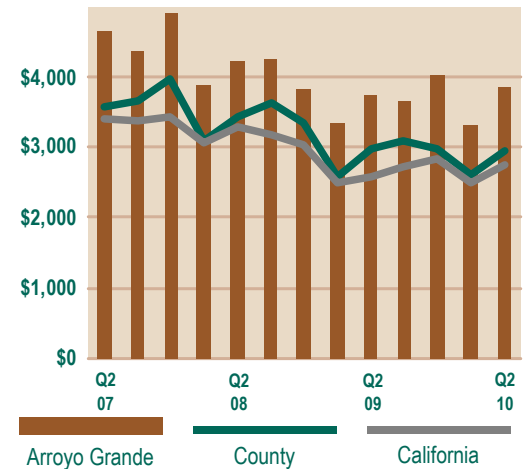
## Green Energy Exemptions

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) has fast-tracked adoption of their emergency regulations for implementing new sales and use tax exemptions for "Green Manufacturing" authorized by SB 71, the only significant new sales tax related bill adopted in 2010 to date. The first approvals are planned for their November 17 meeting.

Industry lobbyists have shut local governments out of the process and additional regulations are now being developed for exempting major alternative energy projects such as solar, geothermal and wind. There is no cap on the value of state and local sales tax losses that CAEATFA may approve.

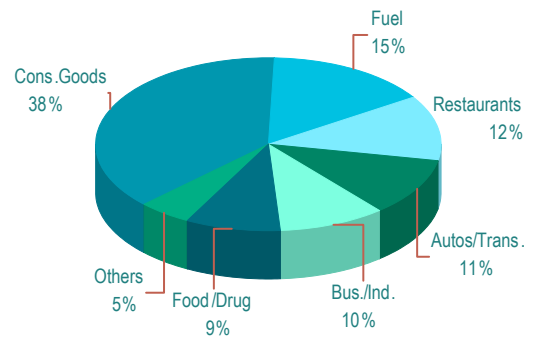
Local governments will not be notified of applications potentially impacting their revenues. However, agenda notices can be obtained by signing up at <http://www.treasurer.ca.gov/caeatfa/agenda.asp>.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP

Arroyo Grande This Quarter



## ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q2 '10	Change	Change	Change
Discount Dept Stores	—	CONFIDENTIAL	-1.4%	0.1%
Service Stations	94,979	4.4%	26.4%	18.2%
New Motor Vehicle Dealers	—	CONFIDENTIAL	23.5%	16.5%
Restaurants No Alcohol	36,211	3.1%	-8.7%	4.5%
Home Furnishings	33,024	58.1%	16.3%	3.2%
Grocery Stores Liquor	30,241	-2.9%	-4.0%	1.0%
Restaurants Liquor	23,053	-2.0%	1.9%	6.8%
Garden/Agricultural Supplies	20,969	10.6%	3.0%	0.0%
Restaurants Beer And Wine	19,724	-5.3%	-9.8%	-2.8%
Family Apparel	19,367	-5.3%	11.2%	10.4%
Lumber/Building Materials	17,468	5.2%	0.3%	2.9%
Drug Stores	16,928	-7.2%	-3.4%	-1.4%
Specialty Stores	15,300	17.1%	21.0%	1.3%
Electronics/Appliance Stores	13,831	21.2%	3.1%	8.8%
Hardware Stores	12,951	-11.1%	166.2%	165.9%
<b>Total All Accounts</b>	<b>\$663,239</b>	<b>3.9%</b>	<b>-0.1%</b>	<b>7.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>75,176</b>	<b>12.9%</b>		
<b>Gross Receipts</b>	<b>\$738,415</b>	<b>4.8%</b>		