

# Q4 2011



# Arroyo Grande Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

## Arroyo Grande In Brief

Receipts for the October through December sales period were 4.2% higher than the same quarter one year ago. Actual sales increased 2.9% when accounting anomalies were excluded.

Recent additions contributed to gains from specialty retailers and electronics/appliances, but a year-ago negative adjustment overstated results from the latter group. The city experienced increased sales of lumber/building materials, several categories within the automotive group and some classifications of restaurants.

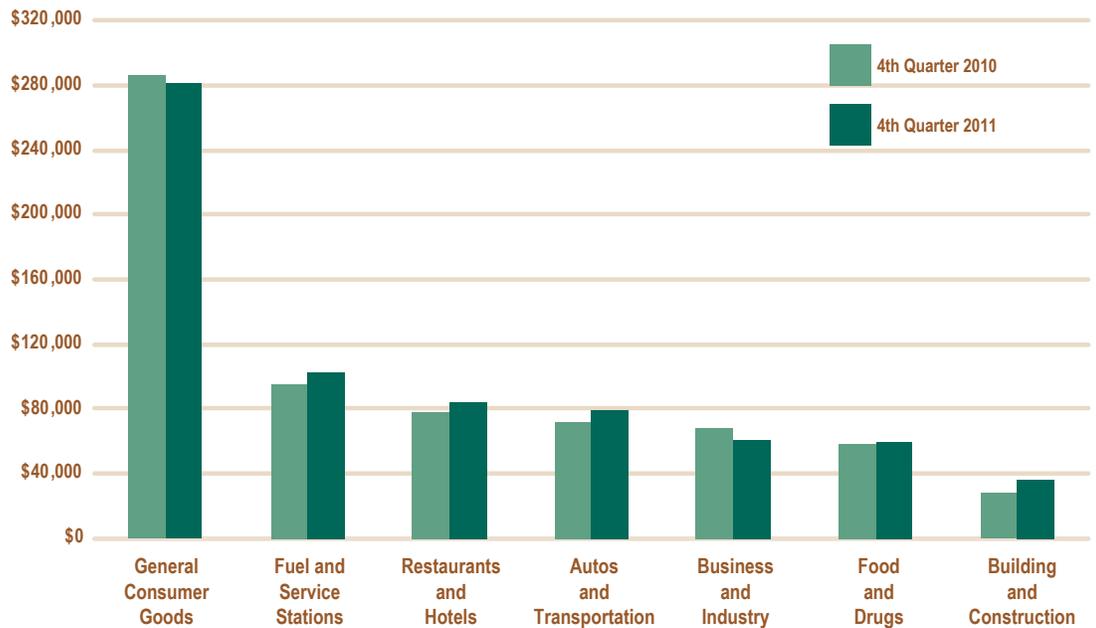
Payment deviations inflated comparisons for home furnishings and restaurants with no alcohol. Higher prices at the pump and the larger allocation from the countywide use tax pool were also factors for the overall increase.

Sales declined from some categories of general consumer goods. Receipt of a onetime payment in the year-ago quarter, combined with a recent business closeout, cut proceeds from the business/industry group.

The city's voter-approved local transactions tax generated an additional \$469,018 for the quarter.

Adjusted for reporting aberrations, sales and use tax receipts for all of San Luis Obispo County increased 19.8% over the same period; the Central Coast region was up 8.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS In Alphabetical Order

Ace Hardware	Donnas Interiors 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	Slo World
CVS Pharmacy	Trader Joes
Dollar Tree	Verizon Wireless
	Wal Mart

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

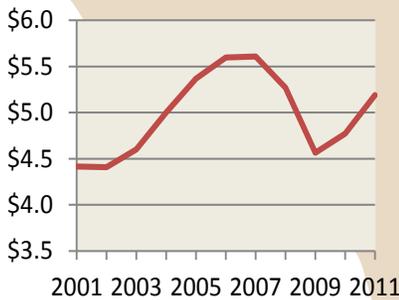
	2010-11	2011-12
Point-of-Sale	\$2,000,212	\$2,095,398
County Pool	221,911	240,685
State Pool	1,021	332
<b>Gross Receipts</b>	<b>\$2,223,143</b>	<b>\$2,336,416</b>
Less Triple Flip*	\$(555,786)	\$(584,104)
<b>Gross Trans. Tax</b>	<b>\$1,300,814</b>	<b>\$1,381,484</b>

\*Reimbursed from county compensation fund

**California Overall**

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

**CA Local Sales Tax Receipts in \$Billions**



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

**Retailers downsizing ... creating new opportunities and challenges**

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

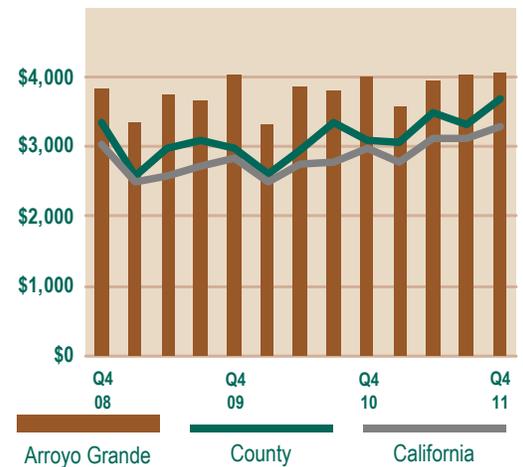
To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too

small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

**SALES PER CAPITA**



**ARROYO GRANDE TOP 15 BUSINESS TYPES**

Business Type	Arroyo Grande		County	HdL State
	Q4 '11	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —		12.0%	4.1%
Drug Stores	18,659	9.5%	6.7%	8.0%
Electronics/Appliance Stores	15,122	30.2%	-0.2%	4.0%
Family Apparel	27,272	2.4%	3.7%	10.6%
Garden/Agricultural Supplies	17,572	3.3%	7.1%	9.6%
Grocery Stores Liquor	29,994	-1.3%	-2.7%	-1.2%
Home Furnishings	32,722	5.1%	5.1%	4.2%
Lumber/Building Materials	19,954	36.7%	5.3%	8.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —		11.0%	15.5%
Office Supplies/Furniture	— CONFIDENTIAL —		1.1%	-5.5%
Restaurants Beer And Wine	19,145	1.5%	5.2%	-0.5%
Restaurants Liquor	21,758	6.7%	6.3%	10.0%
Restaurants No Alcohol	41,227	12.6%	4.9%	7.3%
Service Stations	102,101	11.1%	18.7%	14.7%
Specialty Stores	14,957	30.4%	-1.1%	2.1%
<b>Total All Accounts</b>	<b>\$705,114</b>	<b>2.9%</b>	<b>17.7%</b>	<b>7.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>93,859</b>	<b>15.4%</b>		
<b>Gross Receipts</b>	<b>\$798,973</b>	<b>4.2%</b>		