



## Sales Tax Newsletter

### First Quarter of Calendar Year 2010

#### OVERVIEW

**For the Quarter.** This newsletter covers the City's sales tax revenues received in August 2010 for sales occurring from January through March 2010. After adjusting for apportionment errors and late payments, "point-of-sale" revenues were down by 0.5% compared with the same quarter last year. This follows a 4.9% decline last quarter.

After adjustments, "point-of-sale" revenues were down by 0.5% compared with the same quarter last year.

#### Sales Tax Receipts Summary

Sales Tax Receipts	1st Qtr 2010	1st Qtr 2009	% Change
Reported Point-of-Sale	2,513,844	2,392,772	5.1%
Net Adjustments	(75,960)	57,981	
<b>Adjusted Point-of Sale</b>	<b>2,437,884</b>	<b>2,450,753</b>	<b>-0.5%</b>
Pool Receipts	263,417	272,305	-3.3%
<b>Total</b>	<b>2,701,301</b>	<b>2,723,058</b>	<b>-0.8%</b>

The following summarizes "point-of-sale" revenues by major business group, *after adjusting* for late payments, apportionment errors last year and other adjustments identified by our sales tax advisor:

#### Adjusted Sales Tax Receipts By Type

Point-of-Sale Receipts	1st Qtr 2010	1st Qtr 2009	% Change
Gen Consumer Goods	926,280	930,584	-0.5%
Autos & Transportation	450,829	436,227	3.3%
Restaurants & Hotels	292,708	309,588	-5.5%
Building & Construction	211,932	232,444	-8.8%
Fuel & Service Stations	214,527	177,092	21.1%
Business & Industry	172,731	192,752	-10.4%
Food & Drugs	168,877	172,066	-1.9%
<b>Total</b>	<b>2,437,884</b>	<b>2,450,753</b>	<b>-0.5%</b>

**Is this the bottom?** Although sales were down in the first quarter of 2010, the decrease was the smallest in several years. While this could be interpreted as a sign of economic recovery, it's still too soon to tell if declines have "hit bottom."

During this quarter, higher fuel prices accounted for the increase in revenues from service stations. Manufacturer incentives produced gains in the sales of new autos. The

City saw a decline in sales of plumbing/electrical supplies and from restaurants that don't sell alcohol.

**Measure Y Revenues.** Measure Y revenues were down 2.6% from last year.

#### NEWSLETTER CONTENTS

This newsletter includes a summary prepared by the City's sales tax advisor highlighting key trends and sales tax issues. It also includes the following charts and graphs about the City's sales tax base:

Several of these charts are based on "raw" unadjusted data. As such, caution should be used in analyzing these results.

- Major business groups: first quarter 2010 and 2009
- Top 25 sales tax producers (listed alphabetically for this quarter)
- Top 15 business categories: this quarter compared with last year
- Sales per capita: City compared with the County and State, last 13 quarters
- Major business groups: last 13 quarters
- Sales per capita: City compared with five other agencies in the region, last 13 quarters
- Sales tax revenues by geographic area: this quarter compared with last year

A listing of individuals and organizations that routinely receive this newsletter is provided at the end of the report.

#### MORE INFORMATION AVAILABLE

The information provided in this newsletter is based on a detailed database available to the City through our sales tax advisor. If you require additional information about the City's retail base, or have any questions about this newsletter, please contact Mary Bradley, Interim Director of Finance & Information Technology, at (805) 781-7125.

# Q1



# San Luis Obispo Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2010)

## San Luis Obispo In Brief

Receipts for San Luis Obispo's first quarter sales were 4.2% higher than the same quarter one year ago. Actual sales were down 0.5% when reporting aberrations were factored out.

The increase in specialty stores was exaggerated by onetime reporting aberrations. Higher fuel prices increase revenues from service stations.

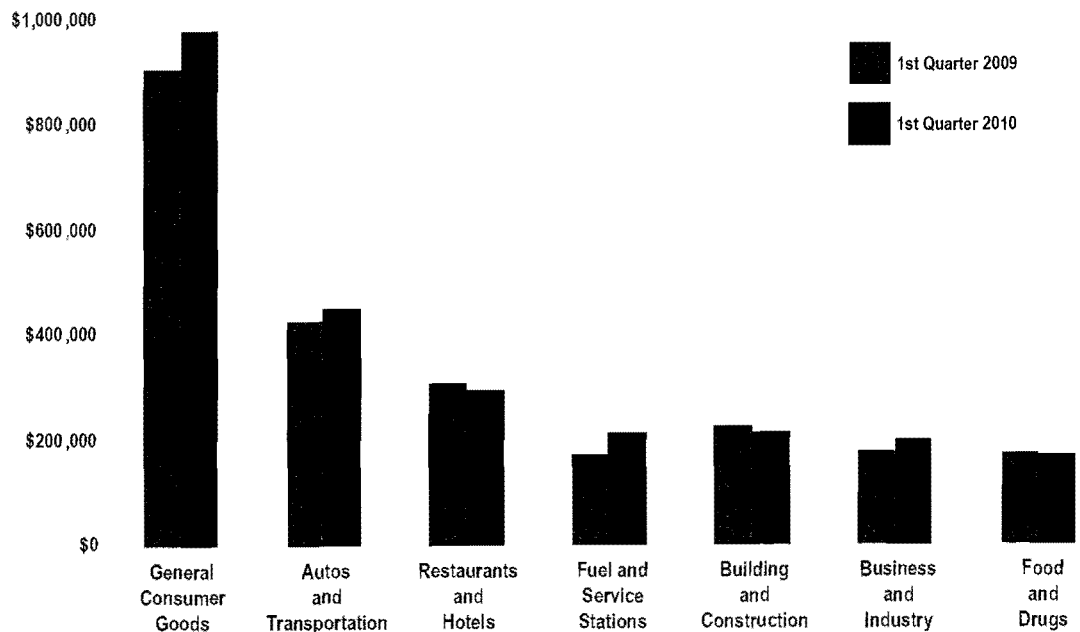
A late payment in the comparison period inflated results from sporting goods/bike stores. The city experienced a strong sales quarter for new motor vehicle dealers.

The gains were partially offset by a decline in sales from restaurants with no alcohol and plumbing/electrical supplies. Reporting problems temporarily depresses receipts from restaurants with liquor.

The city's Measure Y transaction tax generated an additional \$1,170,883 for the quarter which was 2.6% lower than the same period one year ago.

Adjusted for reporting aberrations, taxable sales for all of San Luis Obispo County increased 1.4% over the comparable time period while the Central Coast region, as a whole, was up 3.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Bed Bath & Beyond	Kohls
Best Buy	Laguna Shell & Madonna Shell
Chevron	Lucky Brand
Coast BMW Nissan	Dungarees
Cole Dodge	Perry Ford
Chrysler	San Luis Chevron
Conseru Fuel	Sears
Costco	Sephora
Cuesta Cadillac	Staples
Saab Rancho	Sunset Auto Sales
Grande Motors	Tennis Warehouse
Ferguson Enterprises	Tesoro Refining & Marketing
Home Depot	Toyota of San Luis Obispo
JB Dewar Exxon Distributor	Verizon Wireless
Kimball Motors	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$11,399,816	\$10,507,025
County Pool	1,210,954	1,099,792
State Pool	5,702	9,189
<b>Gross Receipts</b>	<b>\$12,616,472</b>	<b>\$11,616,007</b>
Less Triple Flip*	\$(3,154,118)	\$(2,904,002)
<b>Gross Trans. Tax</b>	<b>\$5,803,899</b>	<b>\$5,292,694</b>

\*Reimbursed from county compensation fund

### Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues from the first quarter of 2010 were 1.1% higher than the same quarter one year ago. This marks the first year-over-year gain in statewide sales in two and one-half years.

For most agencies, the increase came almost exclusively from the 33% recovery in fuel prices since first quarter 2009. An early Easter also helped boost receipts from discount department stores and value priced apparel while year-end bonuses, the prior stock market rally and manufacturer incentives produced auto sales gains in some high income communities.

Geographically, the central and northern coastal areas of California did better than the rest of the state. However, the only solid across-the-board increases occurred in a few areas surrounding the technology centers of Silicon Valley.

### Projections for a Tepid Recovery Continue

Statewide, declines in local sales and use tax revenues are generally thought to have "bottomed out" and expectations are for moderate gains in local allocations over the next two quarters. Rising fuel prices, stimulus rebates for energy-related purchases, inventory rebuilding by retailers and manufacturers and a temporary slump in consumer savings to satisfy pent up demand are all expected to have a positive impact on revenues.

Aggressive manufacturer incentives are also projected to improve new car sales over the next few quarters although the taxable values of the units sold will be far less than at the peak of the credit bubble when 40% of all California new car sales were financed from home equity loans which had encouraged more expensive purchases. However the increases are anticipated to taper off in the last half of the fis-

cal year as inventory rebuilding winds down and various federal stimulus and tax incentive programs are phased out. Overall year-end gains are expected to be modest except in jurisdictions benefiting from new development or specific business/retail segments.

The current consensus is that California's fiscal problems, high unemployment and a continued slump in construction activity make significant recovery in tax revenues unlikely before 2012-2013.

### Local Add-On Sales Tax Measures Approved

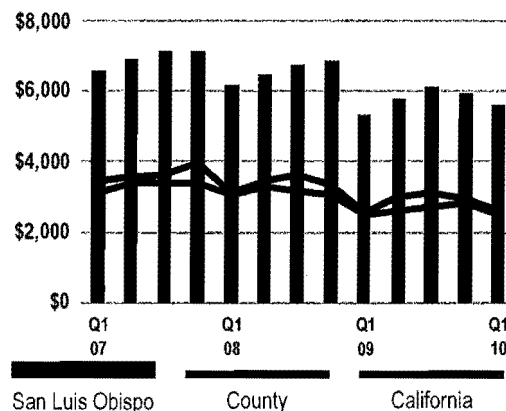
All six proposals for sales tax additions were approved in June as voters continued to exhibit an openness to financing services in their immediate communities where they have more input and control.

New taxes were approved in the cities of Callexico, Cathedral City, Cotati, Rohnert Park and Woodland. Davis approved continuation of an existing tax that was about to sunset. This brings the number of agencies

with one or more "transactions tax" districts to 78 cities and 27 counties. While sales tax is collected on all purchases and allocated to where the sale is negotiated, the local "transactions tax" is collected and distributed for purchases in only the levying jurisdiction where the goods are delivered, consumed or registered.

A dozen agencies are considering similar measures for the November 2010 ballot.

### SALES PER CAPITA



### SAN LUIS OBISPO TOP 15 BUSINESS TYPES

Business Type	San Luis Obispo		County	HdL State
	Q1 '10*	Change	Change	Change
New Motor Vehicle Dealers	\$337.7	9.1%	6.5%	0.0%
Discount Dept Stores	— CONFIDENTIAL —		2.1%	4.9%
Service Stations	183.3	31.5%	35.4%	28.0%
Electronics/Appliance Stores	140.1	-7.6%	-8.5%	-6.0%
Specialty Stores	137.8	95.5%	48.3%	-3.7%
Family Apparel	116.3	5.5%	4.6%	13.6%
Lumber/Building Materials	107.0	-2.8%	-2.2%	1.6%
Restaurants Liquor	104.9	-4.8%	2.2%	5.0%
Sporting Goods/Bike Stores	94.2	41.3%	23.7%	-1.9%
Restaurants Beer And Wine	83.7	-3.7%	-8.6%	-6.0%
Grocery Stores Liquor	81.5	-3.6%	-3.2%	-3.5%
Restaurants No Alcohol	81.5	-9.1%	-8.1%	-3.3%
Home Furnishings	63.3	-6.7%	1.2%	-1.7%
Women's Apparel	56.7	51.9%	26.1%	3.7%
Plumbing/Electrical Supplies	56.2	-13.2%	-19.3%	3.0%
<b>Total All Accounts</b>	<b>\$2,513.8</b>	<b>5.1%</b>	<b>2.8%</b>	<b>0.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>263.4</b>	<b>-3.3%</b>		
<b>Gross Receipts</b>	<b>\$2,777.3</b>	<b>4.2%</b>		

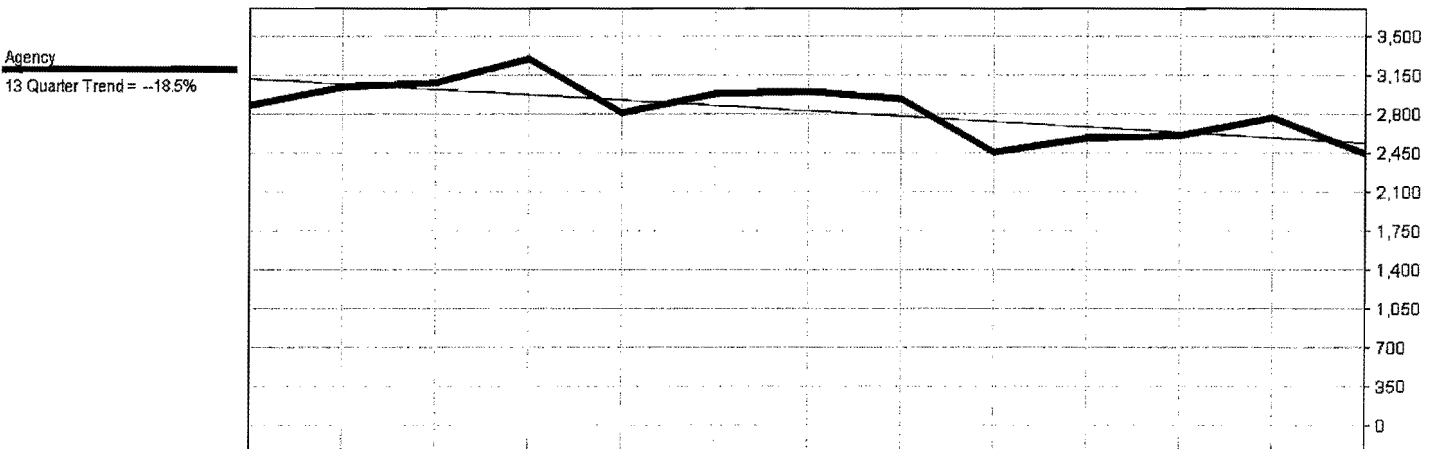
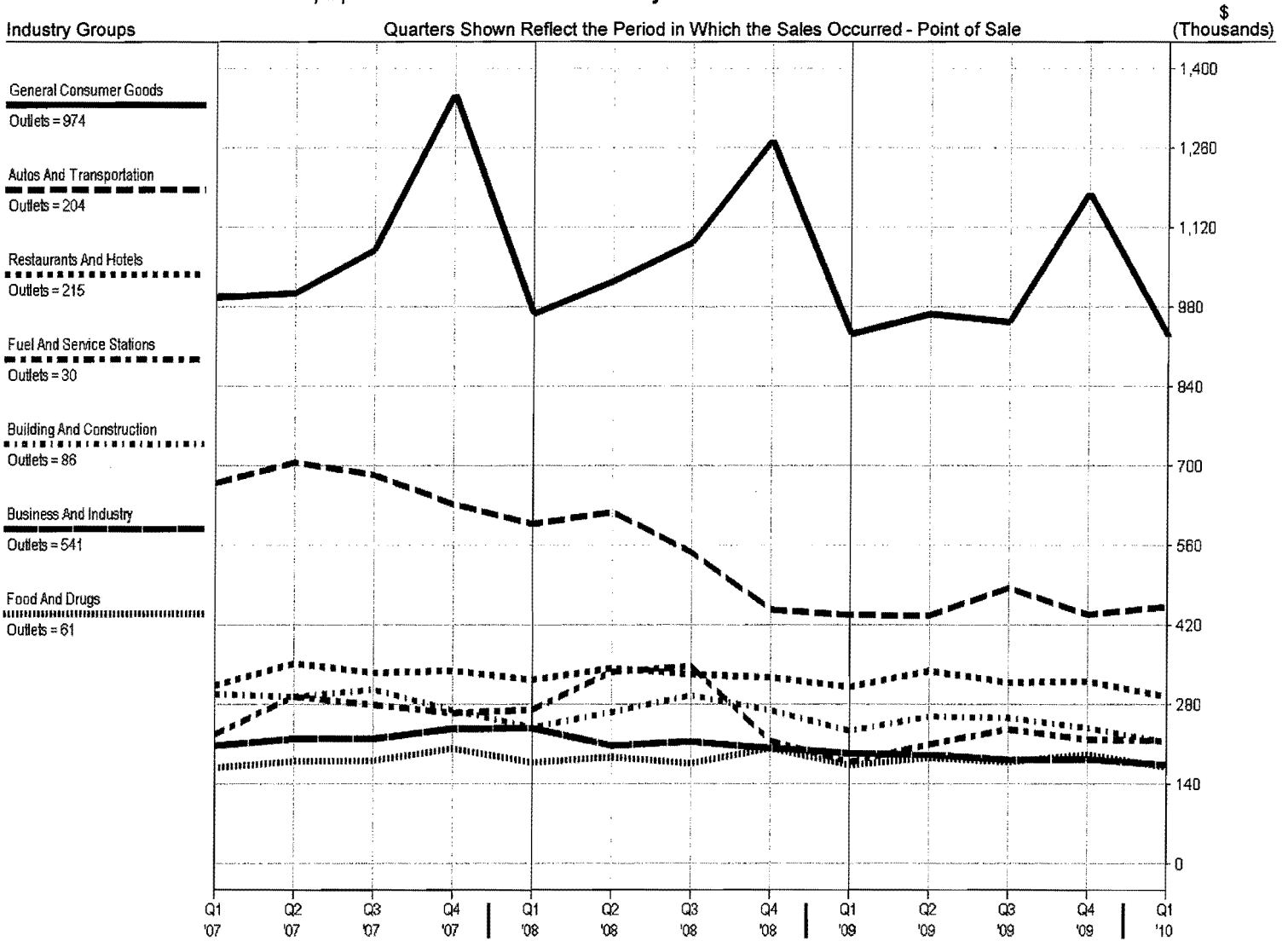
\*In thousands



# CITY OF SAN LUIS OBISPO MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares sales tax for the Major Industry Groups. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**





# CITY OF SAN LUIS OBISPO ALL BUSINESS TYPES - 13 QUARTER HISTORY

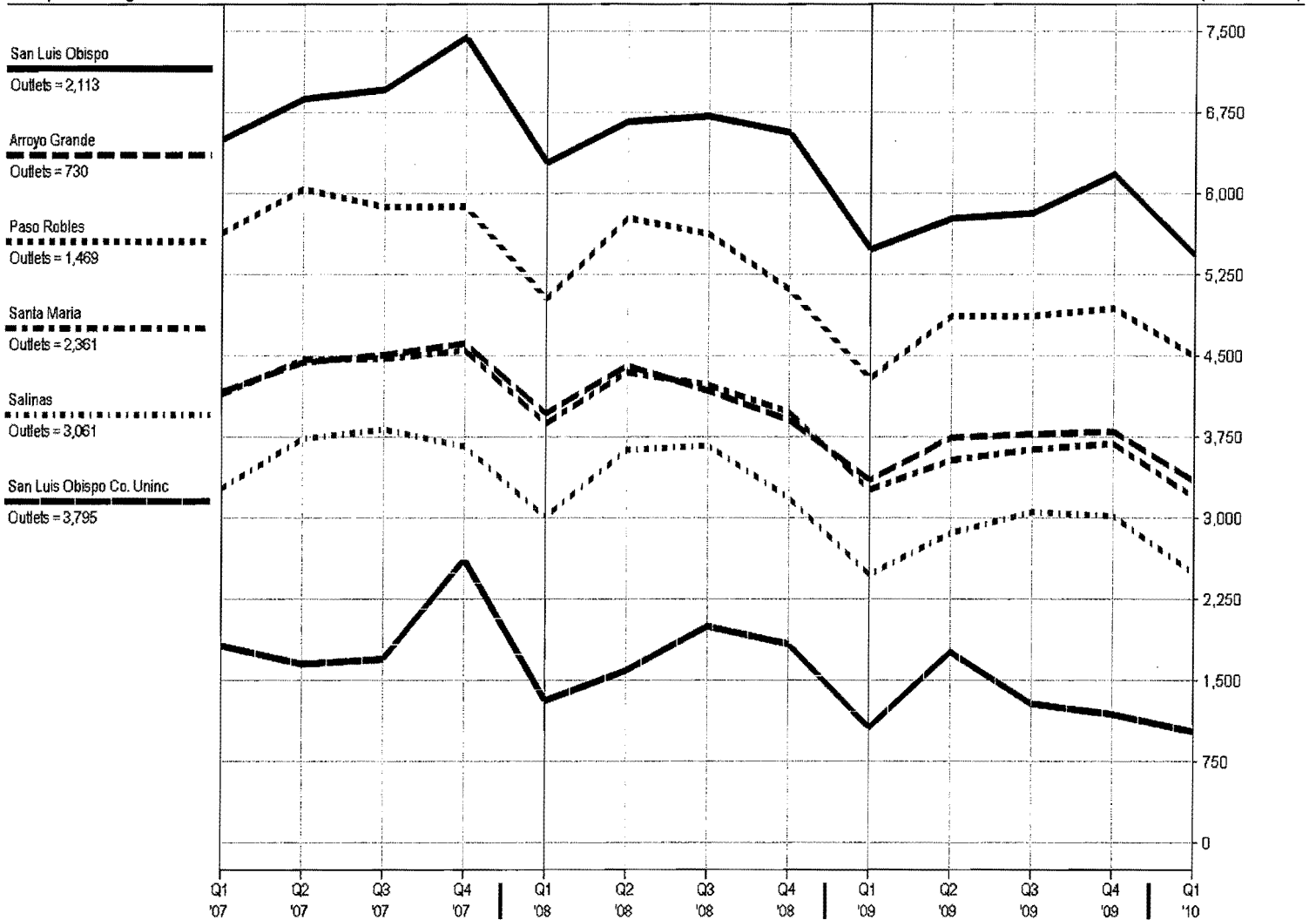
Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares **per capita** sales to that of other jurisdictions. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**

Comparison Agencies

Quarters Shown Reflect the Period in Which the Sales Occurred - Point of Sale

\$(Thousands)



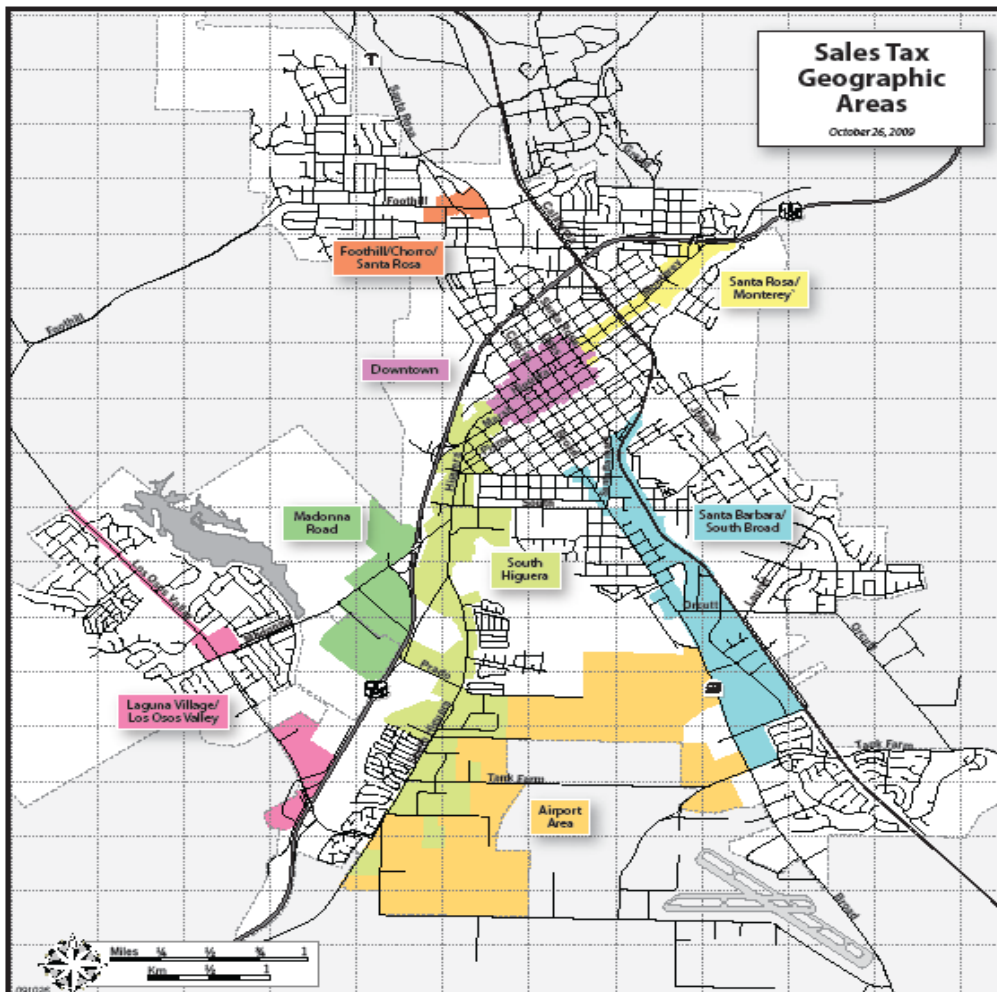
# SALES TAX REVENUES BY GEOGRAPHIC AREA

Point of Sale Revenues				
	Quarterly Revenues*			1st Qtr 2010
	1st Qtr 2010	1st Qtr 2009	% Change	% of Total
Laguna/Los Osos Valley Road Area	423,750	413,947	2.4%	17.4%
Downtown Area	369,347	384,736	-4.0%	15.2%
Madonna Road Area	295,331	322,126	-8.3%	12.1%
South Higuera Area	261,811	246,326	6.3%	10.7%
South Broad/Santa Barbara Area	280,992	264,593	6.2%	11.5%
Foothill/Chorro/Santa Rosa Area	91,333	77,647	17.6%	3.7%
Monterey/Santa Rosa Area	121,461	119,023	2.0%	5.0%
Airport Area	150,149	176,948	-15.1%	6.2%
All Other Areas	443,710	445,407	-0.4%	18.2%
<b>Total - Point of Sale Revenues</b>	<b>2,437,884</b>	<b>2,450,753</b>	<b>-0.5%</b>	<b>100.0%</b>

\* Adjusted for double payments, transfers and reporting errors by the State.

Total Revenues				
Point of Sale	2,437,884	2,450,753	-0.5%	90.2%
Pool Allocations	263,417	272,305	-3.3%	9.8%
<b>Total Revenues</b>	<b>2,701,301</b>	<b>2,723,058</b>	<b>-0.8%</b>	<b>100.0%</b>

## Map of Geographic Areas



## DISTRIBUTION LIST

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### **City of San Luis Obispo**

City Council  
Department Heads  
Economic Development Manager  
Department Fiscal Officers  
Budget Review Team  
Finance & Information Technology Staff

### **Other Individuals and Organizations**

Dean Haupt, Rancho Grande Motors  
Ermina Karim, SLO Chamber of Commerce  
Deborah Cash, Downtown Association Administrator  
Greg Salgado, UCSB Economic Forecast Project  
Promotional Coordinating Committee Members  
Maggie Cox, Barnett Cox & Associates  
The Tribune (AnnMarie Cornejo, Julie Lynem)  
Mike Harmon, San Luis Obispo Council of Governments