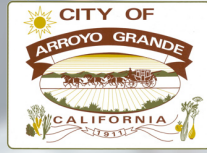


Q3 2013



Arroyo Grande Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2013)

Arroyo Grande In Brief

Receipts for Arroyo Grande's July through September sales were 6.9% higher than the same quarter one year ago. Actual sales activity was up 5.6% when reporting aberrations were factored out.

General consumer goods experienced a strong sales quarter that was lifted, in part, by new retailers while the food and drugs group benefited from the addition of a new grocery store.

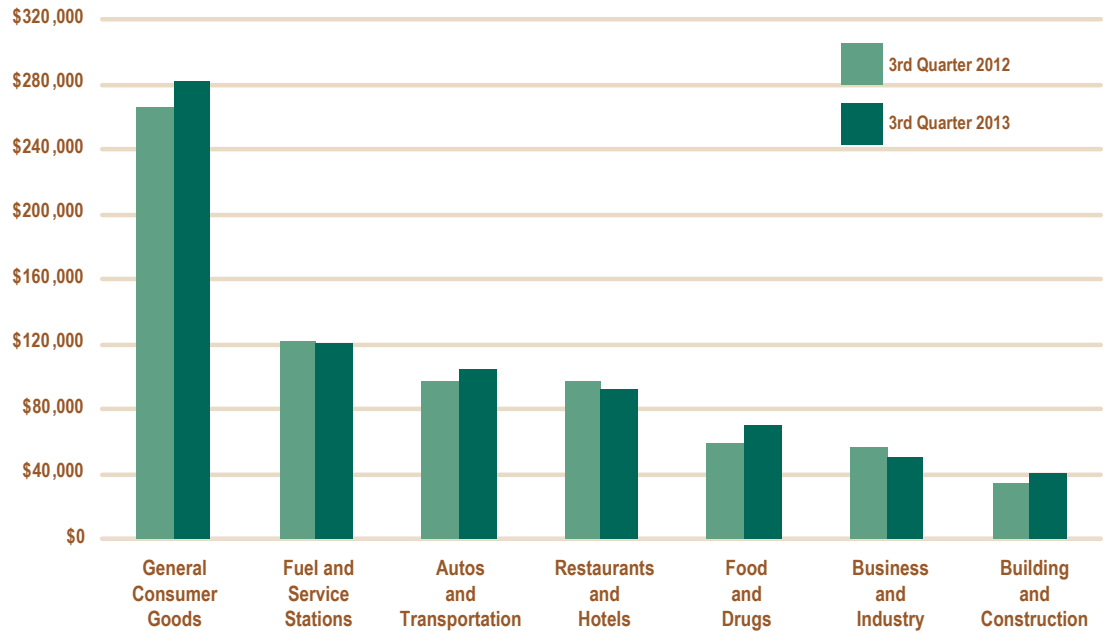
Gains from car sales, supply stores, and repair shops were largely responsible for the increase from autos and transportation. Higher receipts from lumber and contractor supplies helped lift the building and construction sector.

The city's voter approved transactions tax generated \$496,576, an increase of 3.0% over last year.

A payment anomaly was responsible for the decrease from business and industry. Business closures were significant factors in the reduction from the restaurant group.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County decreased 5.6% over the comparable time period, largely due to the decrease in use tax payments that previously boosted the entire county. The Central Coast region as a whole fared better with an increase of 2.4%.

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 Chevrolet	Marshalls
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	PFG
Ashley Furniture	Rite Aid
Homestore Outlet	Rooster Creek
Burke & Pace Lumber Sales	San Luis Obispo Country Farm
Chilis	Smart & Final
Donnas Interiors Furniture	Trader Joes
	Verizon Wireless
	Walmart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$1,431,670	\$1,499,580
County Pool	135,798	161,742
State Pool	439	794
Gross Receipts	\$1,567,907	\$1,662,116
Less Triple Flip*	\$(391,977)	\$(415,529)
Measure O - 06	\$963,662	\$1,032,606

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter was temporarily reduced by a state computer glitch that failed to fully fund receipts from sellers of building and construction supplies. Actual sales activity was up 5.8% over last year's comparable quarter after adjusting for this and other aberrations. Overall performance was generally similar throughout most regions of the state.

New and used auto sales and leases again grew at double digit rates and were the primary contributor to the quarter's statewide growth. With on-line sales remaining strong and more businesses reporting due to the state's new out-of-state reporting requirements, countywide pool allocations became the second largest portion of this quarter's overall increase. Recovering building and construction activity was also significant with a 9.7% gain after adjusting for the delayed allocations.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the third consecutive quarter.

Local Sales Tax Measures

Ten of twelve proposals for sales tax add-ons were approved in November as voters continued to support funding local services where they have more input and control.

New taxes were approved in Antioch, Corte Madera, Huron, Larkspur, San Anselmo and Scotts Valley. Existing add-ons were either increased or extended in El Monte, Rohnert Park, San Rafael and Stockton.

This brings the total number of city transactions and use tax districts to 135 and countywide districts to 44. Additional measures are expected to appear on local ballots in 2014.

Tax Rebates

Effective January 1, AB 562 (Williams) requires public notice and hearings on economic subsidies exceeding \$100,000. Identification of beneficiaries of the subsidy, the amounts, the beginning and ending dates and promised tax and job benefits are required as are periodic up-dates.

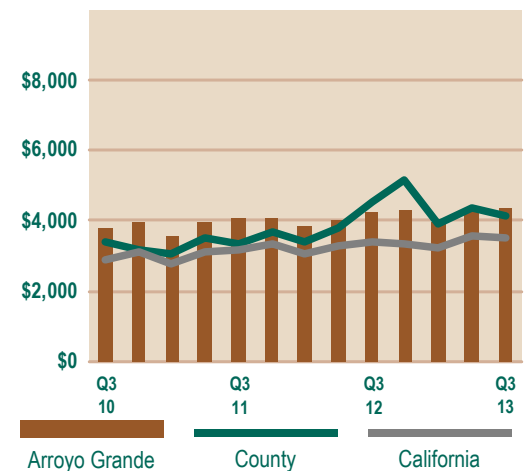
As on-line sales divert a greater portion of tax revenues from business and consumer purchases to centralized fulfillment centers, rebates of up to 85% are being bid in exchange for being the "point of sale" for the remainder. This bill encourages deeper evaluation of agreements that are collectively transferring an alarming share of statewide local sales tax to corporate bottom lines while cutting revenues for public services.

Holiday Sales Tax Shifts

Local tax receipts from fourth quarter sales will not be seen until March but may differ from previous years. Some forecasters predicted that on-line shopping would account for

up to 40% of holiday sales which would transfer that portion of the tax from stores to central fulfillment centers or county allocation pools. Final tax results from holiday spending will be pushed into June based on a National Retail Federation survey that showed 80% of shoppers gave at least one gift card. Tax is not charged until a gift card is redeemed.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q3 '13	Change	Change	Change
Casual Dining	35,934	-0.6%	4.0%	1.9%
Discount Dept Stores	— CONFIDENTIAL —	—	-4.5%	-8.2%
Drug Stores	16,567	-3.9%	-0.1%	0.0%
Electronics/Appliance Stores	17,078	-2.8%	0.2%	4.2%
Family Apparel	— CONFIDENTIAL —	—	0.9%	5.6%
Fast-Casual Restaurants	19,719	15.4%	8.1%	3.2%
Garden/Agricultural Supplies	21,530	4.8%	11.2%	8.5%
Grocery Stores Liquor	43,284	40.5%	7.1%	-9.8%
Hardware Stores	— CONFIDENTIAL —	—	9.9%	10.4%
Home Furnishings	50,707	72.3%	16.9%	10.3%
Lumber/Building Materials	24,227	23.3%	-13.2%	-15.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	17.9%	12.8%
Quick-Service Restaurants	32,333	-17.3%	1.5%	4.1%
Service Stations	118,571	-1.2%	-1.3%	-1.5%
Specialty Stores	15,858	17.7%	6.6%	7.7%
Total All Accounts	\$760,741	3.7%	-9.1%	2.5%
County & State Pool Allocation	\$85,075	47.7%	29.5%	12.5%
Gross Receipts	\$845,816	6.9%	-6.3%	3.5%