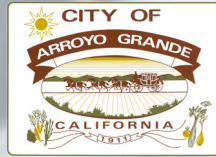


Q4 2014



Arroyo Grande Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Arroyo Grande In Brief

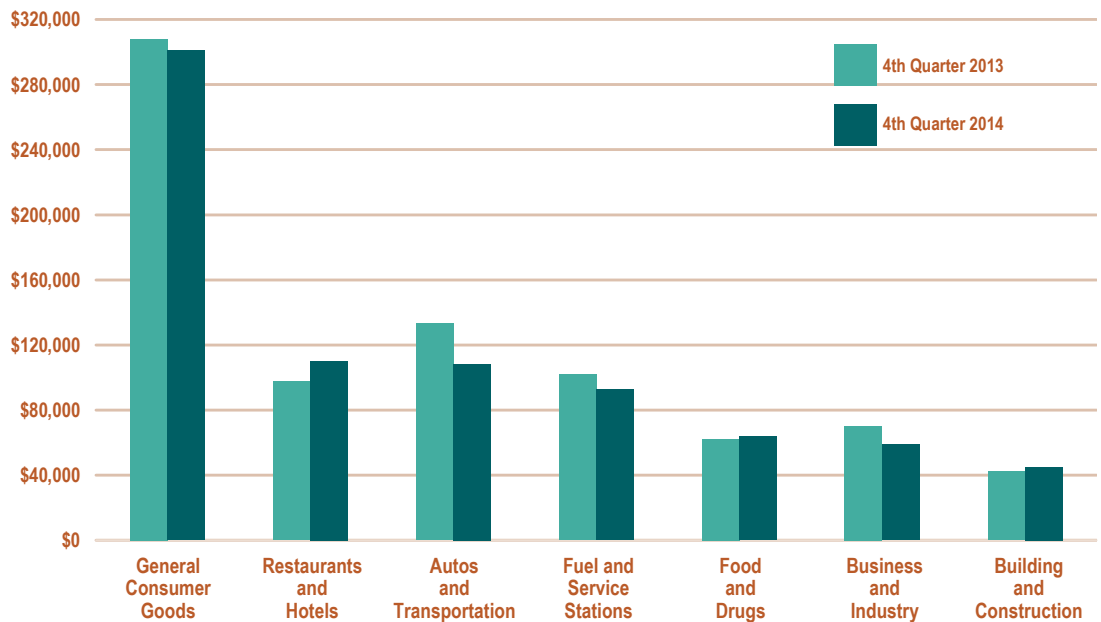
Arroyo Grande's allocation of sales and use tax revenues from its October through December sales was 6.0% lower than the same quarter one year ago. Actual sales activity was down 2.8% after factoring for accounting anomalies within the business/industrial group.

Declining fuel prices and a soft quarter for autos and general consumer goods were primarily responsible for the actual decrease. A drop in the city's share of the countywide use tax allocation pool was an additional factor. The losses were partially offset by a solid holiday quarter for restaurants and grocers.

Arroyo Grande's voter approved Measure "O" added \$526,872 to the amounts discussed above and was essentially flat when compared to the fourth quarter of 2013. The trends in this source were similar to those found in the one cent local tax.

Adjusted for aberrations, sales and use tax receipts for the entire five county central coast region increased 3.7% over the comparable time period.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	In N Out Burgers
Albertsons	K Mart
Aqua Systems	Marshalls
Arco AM PM	Mullahey Ford
Arroyo Grande Chevrolet	Officemax
Arroyo Grande Shell	PFG
Arroyo Grande Valero	Rite Aid
Ashley Furniture	Rooster Creek
Burke & Pace Lumber Sales	San Luis Obispo Country Farm
Chilis	Smart & Final
Dollar Tree	Trader Joes
Donnas Interiors Furniture	Verizon Wireless
	Walmart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,314,668	\$2,396,102
County Pool	264,832	260,844
State Pool	1,359	1,996
Gross Receipts	\$2,580,859	\$2,658,943
Less Triple Flip*	\$(645,215)	\$(664,736)
Measure O - 06	\$1,569,774	\$1,601,220

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

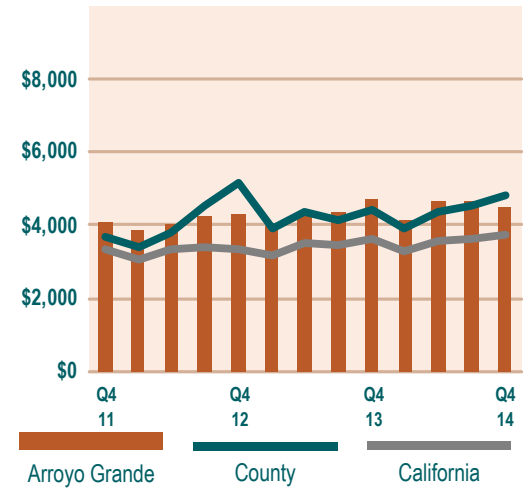
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

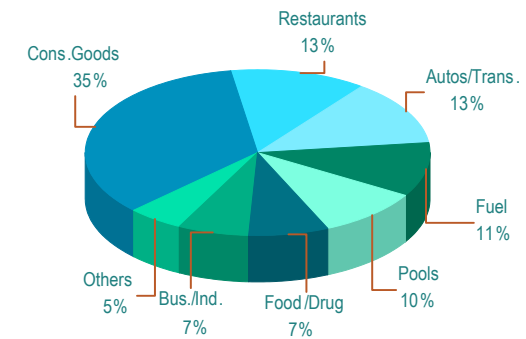
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q4 '14	Change	Change	Change
Casual Dining	51,186	19.8%	11.3%	6.3%
Discount Dept Stores	—	CONFIDENTIAL	1.5%	0.9%
Drug Stores	—	CONFIDENTIAL	-5.0%	-2.3%
Electronics/Appliance Stores	18,564	-0.8%	4.5%	1.3%
Family Apparel	—	CONFIDENTIAL	6.6%	5.1%
Fast-Casual Restaurants	15,002	33.9%	26.4%	9.2%
Garden/Agricultural Supplies	21,037	9.0%	4.1%	5.8%
Grocery Stores Beer/Wine	15,441	-14.4%	-6.1%	-4.1%
Grocery Stores Liquor	—	CONFIDENTIAL	10.4%	3.5%
Home Furnishings	39,371	7.8%	9.8%	6.9%
Lumber/Building Materials	—	CONFIDENTIAL	-4.8%	-0.7%
New Motor Vehicle Dealers	—	CONFIDENTIAL	5.9%	7.6%
Quick-Service Restaurants	39,000	-1.4%	6.9%	7.5%
Service Stations	90,196	-9.9%	-11.5%	-10.6%
Specialty Stores	16,854	12.2%	8.8%	5.5%
Total All Accounts	\$779,496	-4.4%	8.6%	3.8%
County & State Pool Allocation	\$84,354	-18.6%	-7.6%	4.7%
Gross Receipts	\$863,851	-6.0%	6.8%	3.9%