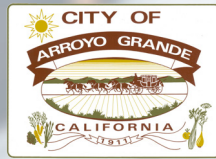


Q4 2015



Arroyo Grande Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Arroyo Grande In Brief

Arroyo Grande's receipts from October through December were 8.2% above the fourth sales period in 2014. Excluding reporting aberrations, actual sales were up 6.0%, outperforming statewide growth of 2.6%.

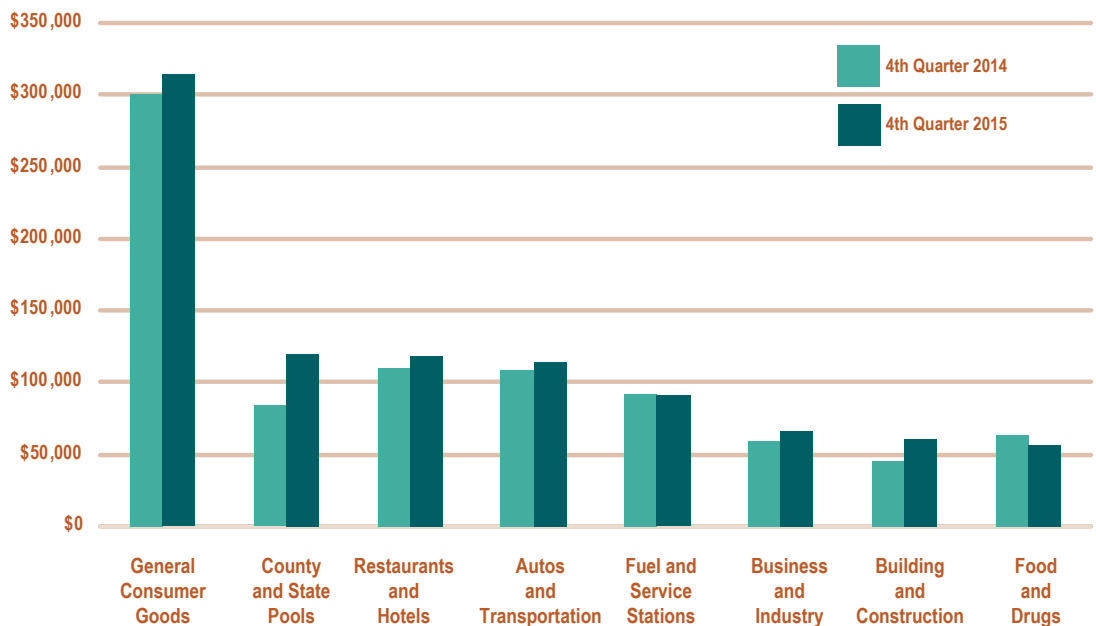
The City received a larger share of the countywide use tax allocation, which was a large factor in the favorable results. The robust regional housing market also elevated the building and construction sector and increased demand for home furnishings, with two new salesrooms opening in the last year. Revenues were strong in electronic and appliances while casual dining was boosted by recent restaurant openings.

The closing of a food and drug outlet partially offset these gains.

Measure O-06, the City's voter approved transactions tax generated an additional \$562,700 in revenue for the quarter, an increase of 4.9% compared to the same period one year ago.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 11.9% over the comparable time period; the Central Coast region was down 0.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	In N Out
Aqua Systems	Kmart
Arco AM PM	Marshalls
Arroyo Grande Chevrolet	Mullahey Ford
Arroyo Grande Shell	OfficeMax
Arroyo Grande Valero	R&R Furniture
Ashley Furniture	Rite Aid
Homestore Outlet	Rooster Creek
Burke & Pace Lumber Sales	San Luis Obispo Country Farm
Chevron	Smart & Final
Donnas Interiors Furniture	Streator Pipe & Supply
Figueroa Mountain Brewing	Trader Joes
	Verizon
	Walmart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$2,396,102	\$2,442,508
County Pool	260,844	323,478
State Pool	1,996	2,673
Gross Receipts	\$2,658,943	\$2,768,658
Less Triple Flip*	\$(664,736)	\$(692,165)
Measure O - 06	\$1,601,220	\$1,674,377

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

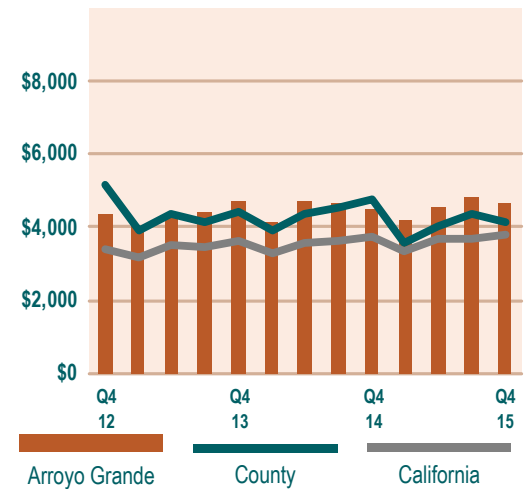
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

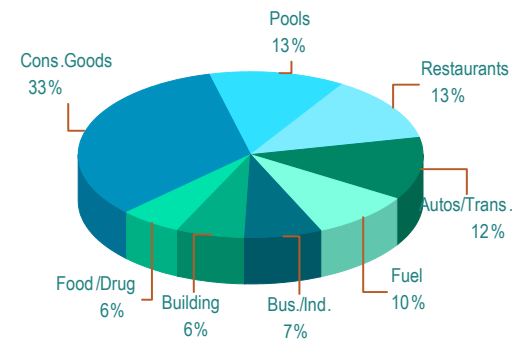
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

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 '15	Change	Change	Change
Casual Dining	62,366	14.4%	1.9%	6.1%
Discount Dept Stores	— CONFIDENTIAL —	—	1.9%	3.0%
Drug Stores	— CONFIDENTIAL —	—	5.2%	1.2%
Electronics/Appliance Stores	24,998	34.7%	7.4%	0.6%
Family Apparel	— CONFIDENTIAL —	—	1.6%	3.9%
Garden/Agricultural Supplies	24,724	17.5%	9.2%	16.3%
Grocery Stores Beer/Wine	17,603	13.2%	9.5%	1.9%
Grocery Stores Liquor	— CONFIDENTIAL —	—	-1.3%	0.5%
Hardware Stores	— CONFIDENTIAL —	—	8.3%	8.5%
Home Furnishings	49,256	25.1%	6.3%	2.0%
Lumber/Building Materials	— CONFIDENTIAL —	—	13.0%	10.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	11.4%	7.9%
Quick-Service Restaurants	42,416	9.1%	12.4%	7.9%
Service Stations	86,082	-4.6%	-7.2%	-10.5%
Specialty Stores	18,001	6.8%	4.3%	4.3%
Total All Accounts	814,375	4.5%	-13.5%	2.4%
County & State Pool Allocation	120,355	42.7%	18.1%	10.8%
Gross Receipts	934,730	8.2%	-10.5%	3.5%