

Q1 2008



Arroyo Grande Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2008)

Arroyo Grande In Brief

Receipts for Arroyo Grande's January through March sales were 1.5% lower than the same quarter one year ago. Actual sales activity was down 4.6% when reporting aberrations were factored out.

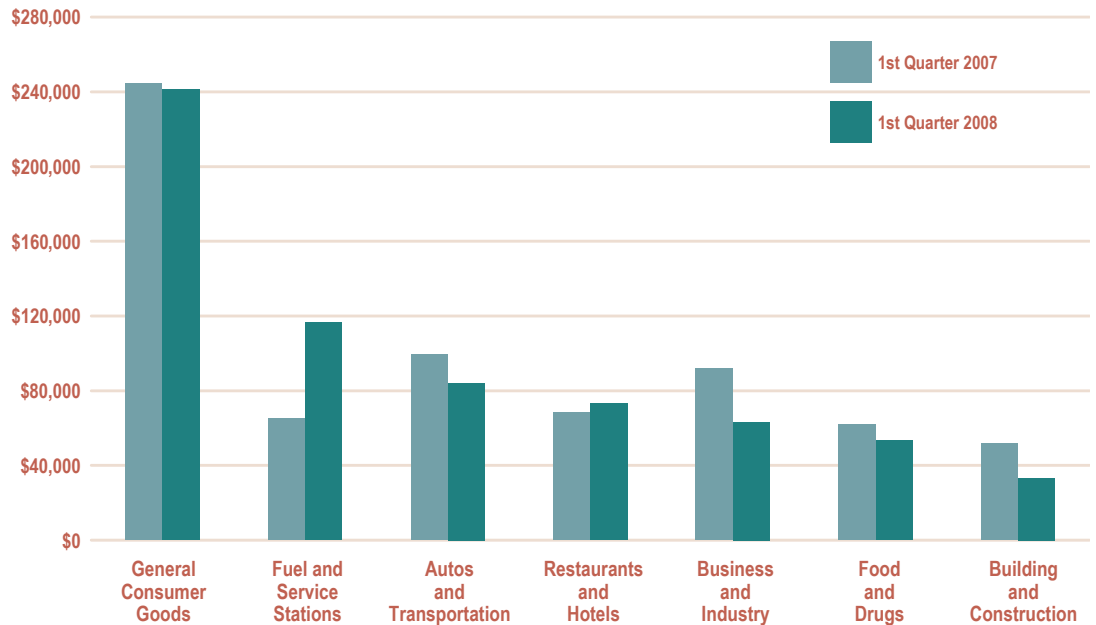
The city experienced a decline in sales of lumber/building materials, office supplies/furniture, and restaurants with no alcohol. A onetime accounting adjustment exaggerated the drop in grocery stores with liquor.

The declines were partially offset by higher fuel prices which lifted receipts from service stations. A recent addition helped boost revenues from restaurants with liquor.

The recently approved district tax generated an additional \$422,597 in revenue to the city.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County declined 9.2% over the comparable period, while the Central Coast region as a whole was down 5.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Ace Hardware	Longs
Albertsons	Marshalls
Applebees	Mullahey Ford
Aqua Systems	Officemax
Arroyo Grande Shell	P & J Lee
Burke & Pace	Partnership
Lumber Sales	Rabobank National
Chevron	Association
Christianson	Rite Aid
Chevrolet	San Luis Obispo
Oldsmobile	Country Farm
Donnas Interiors	Stan Robertsons
Furniture	Beacon
Gills Food Market	Streator Pipe &
Grand Estate Sales	Supply
JB Dewar	Trader Joes
K Mart	Wal Mart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$3,069,624	\$3,004,381
County Pool	339,605	342,660
State Pool	4,161	1,686
Gross Receipts	\$3,413,390	\$3,348,726
Less Triple Flip*	\$(853,347)	\$(837,182)
Gross Trans. Tax	\$359	\$1,796,028

*Reimbursed from county compensation fund

CALIFORNIA OVERALL

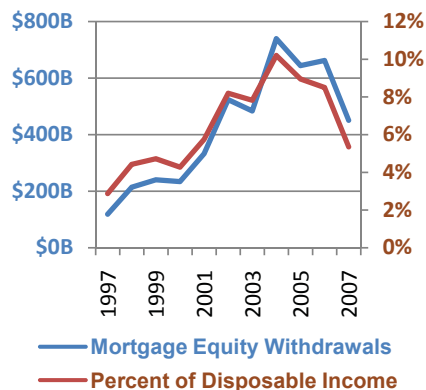
Statewide sales tax receipts for January through March sales dropped 4.5% from the same quarter of 2007 when reporting aberrations were factored out. The decline continued to be led by new car sales which were down 18.6%. Building-related materials posted a decrease of 14.3% while general consumer goods dropped 5.4%.

Previous predictions that this quarter would be at the bottom after the spending bubble burst are beginning to fade. Auto dealers report continuing slides and the International Council of Shopping Centers predicts 2008's store closings to be the most since 2001. The UCLA Anderson Forecast is that the economy will be sluggish for at least another 18 months.

SALES TAX AND THE HOUSING BUBBLE

A new Harvard University study provides some insight into the impact that the housing slump has on consumer spending. The researchers concluded that the combined effects of fewer home starts and falling prices cut national economic growth by almost 1.5% in 2007.

In addition to the "reverse multiplier" effect that lost wages in the construction industry has had on consumer spending, the decline in home prices has substantially reduced the amount of discretionary spending that occurred from borrowing against the rising market value of homes.



These cash-outs, referred to as "Mortgage Equity Withdrawals" (MEWs), fell from a high of 10% of the country's personal disposable income in

2004 to approximately 2% in the first quarter of this year.

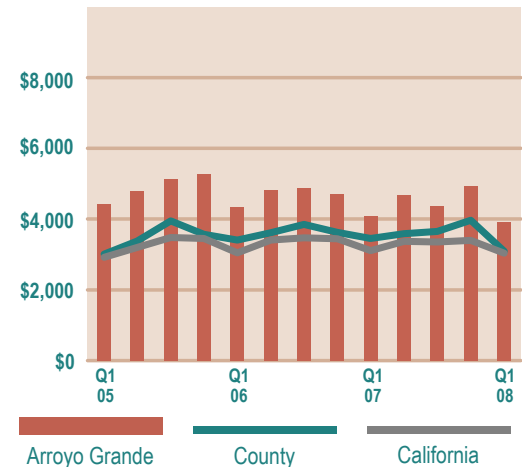
Consumer spending tends to lag changes in income, both up and down. As MEWs fell in the latter half of 2007, consumers used their credit cards to continue spending. Credit card companies, including American Express, now report alarming rises in late payments suggesting that many consumers are about tapped out.

An example of Harvard's conclusion that homeowners' disposable spending is partially related to changes in home values recently came from Home Depot. The company attributes its current decline to the fact that 50-60% of its sales are normally from major improvement projects that customers are deferring as home values slip.

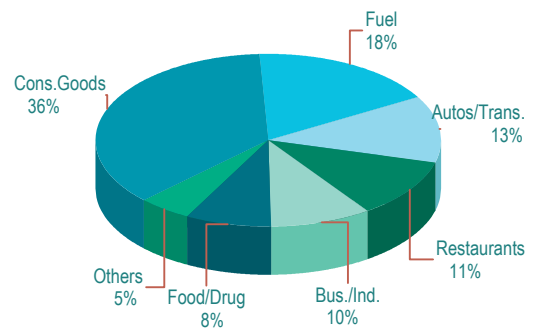
Analysts, including Chapman University's, are predicting that housing prices will continue to drop into 2009. If this is so, it adds another gloomy aspect to the timing for a recovery in sales tax growth.

The full Harvard study can be reviewed at www.jchs.harvard.edu/.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q1 '08	Change	Change	Change
Discount Dept Stores	—	CONFIDENTIAL	-1.8%	-2.1%
Service Stations	108,575	85.4%	26.0%	18.6%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-17.7%	-17.4%
Home Furnishings	33,093	-1.3%	-16.0%	-13.3%
Restaurants No Alcohol	30,876	-3.3%	-0.7%	2.7%
Restaurants Beer And Wine	24,595	-2.7%	-7.2%	-5.5%
Grocery Stores Liquor	24,551	-27.9%	3.6%	0.5%
Lumber/Building Materials	22,291	-23.4%	-19.6%	1.9%
Drug Stores	18,045	4.8%	2.0%	2.9%
Restaurants Liquor	17,558	55.1%	3.8%	7.1%
Garden/Agricultural Supplies	17,518	1.6%	-0.8%	-3.7%
Family Apparel	17,260	0.3%	10.1%	0.7%
Specialty Stores	16,842	6.3%	1.6%	-3.1%
Office Supplies/Furniture	14,014	-14.9%	-14.6%	-2.3%
Hardware Stores	12,608	0.4%	-7.0%	-10.8%
Total All Accounts	\$664,914	-2.7%	-9.0%	-1.2%
County & State Pool Allocation	73,539	9.9%		
Gross Receipts	\$738,453	-1.5%		