

Q4 2008



Arroyo Grande Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

Arroyo Grande In Brief

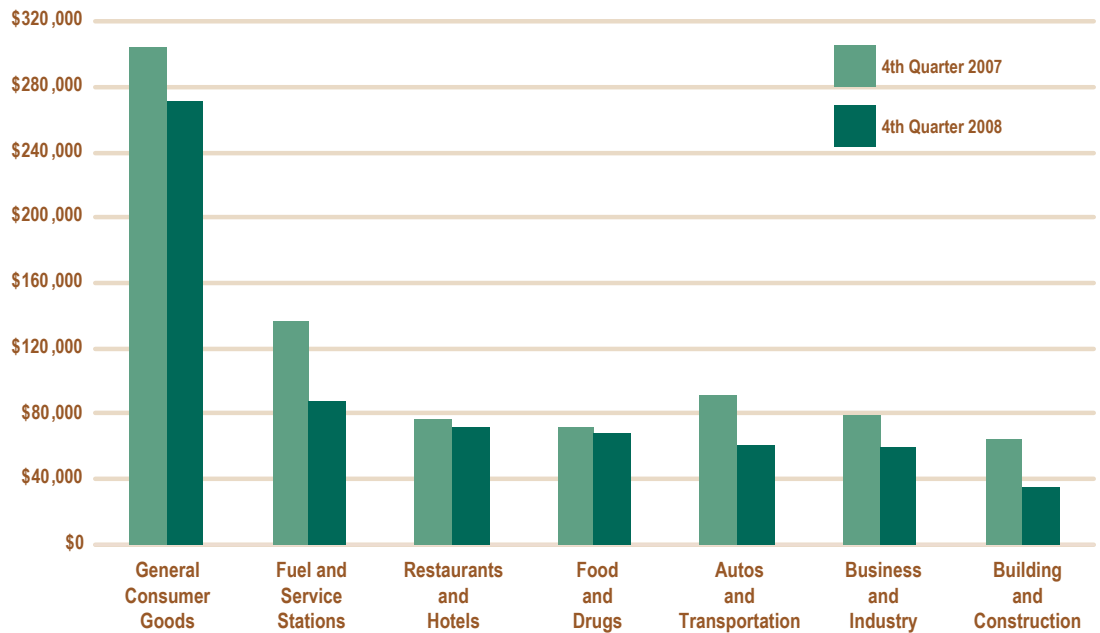
The allocation from Arroyo Grande's October through December sales tax allocation was 21.4% less than the same quarter one year ago.

Lower fuel prices and decreased sales from grocery stores with liquor, restaurants with no alcohol, family apparel, lumber/building materials, drug stores, garden/agricultural supplies, office supplies/furniture, hardware stores and some categories of Autos & Transportation were partially responsible for the decrease. Delayed allocations temporarily reduced receipts from restaurants with beer and wine and a recent closeout decreased revenues from home furnishings.

The losses were offset by increased sales from some categories of General Consumer Goods. A recent addition helped boosted revenues from restaurants with liquor.

Adjusted for reporting aberrations, taxable sales for San Luis Obispo County decreased 16.2% over the comparable time period while the Central Coast as a whole was down 12.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware	JB Dewar
Advantage Homes	K Mart
Albertsons	Longs
Aqua Systems	Marshalls
Arroyo Grande Shell	McDonalds
Burke & Pace	Mullahey Ford
Lumber Sales	Officemax
Chevron	P & J Lee
Chillis	Partnership
Christianson	Rite Aid
Chevrolet	San Luis Obispo
Oldsmobile	Country Farm
Dollar Tree	Trader Joes
Donnas Interiors	Verizon Wireless
Furniture	Wal Mart
Hollywood Video	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$2,339,467	\$2,100,752
County Pool	269,667	219,938
State Pool	1,139	886
Gross Receipts	\$2,610,273	\$2,321,576
Less Triple Flip*	\$(652,568)	\$(580,394)
Gross Trans. Tax	\$1,373,431	\$1,348,834

*Reimbursed from county compensation fund

Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot.

This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

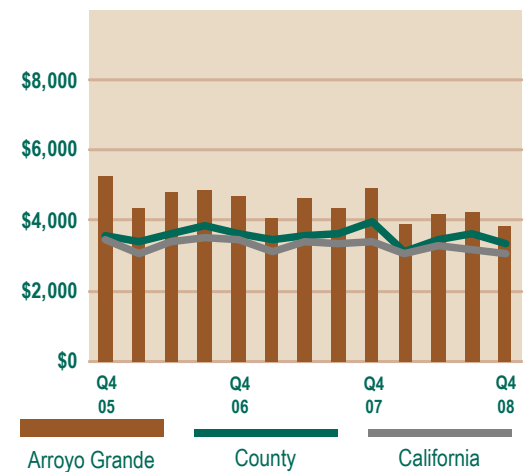
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q4 '08	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	-1.5%	-3.3%
Service Stations	82,299	-36.1%	-15.4%	-23.2%
Grocery Stores Liquor	37,946	-11.4%	-0.6%	0.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-37.3%	-36.4%
Restaurants No Alcohol	30,249	-6.1%	-4.0%	1.3%
Restaurants Liquor	22,740	17.0%	-3.6%	-0.9%
Family Apparel	21,461	-2.2%	8.9%	-3.6%
Restaurants Beer And Wine	19,341	-23.9%	-8.9%	-6.9%
Lumber/Building Materials	18,909	-25.9%	-17.1%	-12.5%
Home Furnishings	18,787	-51.9%	-18.4%	-20.3%
Drug Stores	18,573	-0.8%	-3.8%	-1.4%
Garden/Agricultural Supplies	16,571	-15.7%	-17.7%	-12.4%
Specialty Stores	16,009	0.6%	-7.5%	-7.2%
Office Supplies/Furniture	12,923	-9.2%	-23.2%	-15.0%
Hardware Stores	12,430	-3.3%	-5.9%	-5.3%
Total All Accounts	\$655,157	-20.6%	-14.5%	-10.3%
County & State Pool Allocation	65,056	-28.1%		
Gross Receipts	\$720,213	-21.4%		