

Q1 2010



Arroyo Grande Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2010)

Arroyo Grande In Brief

Receipts for Arroyo Grande's first quarter sales were 0.5% lower than the same quarter one year ago. Actual sales were up 0.1% when reporting aberrations were factored out.

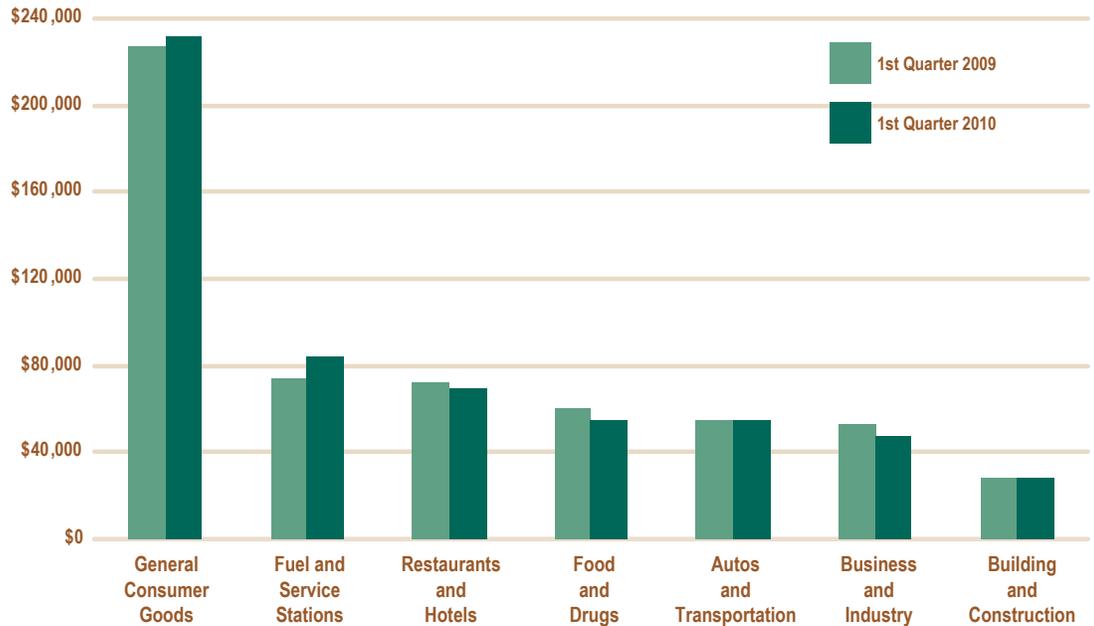
The city experienced a decline in sales from grocery stores and some categories of the building & construction sector. Reporting problems temporarily depressed receipts from restaurants with no alcohol.

The losses were offset by higher fuel prices, recent additions that helped boost revenues from home furnishings and a gain in sales from new motor vehicle dealers.

The city's voter-approved half-cent transaction tax generated an additional \$367,794 which is 0.8% lower than the same period one year ago.

Adjusted for reporting aberrations, taxable sales for all of San Luis Obispo County increased 1.4% over the comparable time period while the Central Coast region, as a whole, was up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Ace Hardware	JB Dewar
Albertsons	K Mart
Applebees	Marshalls
Aqua Systems	McDonalds
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	Officemax
Burke & Pace Lumber Sales	P & J Lee
Chevron	Rite Aid
Chilis Grill & Bar	San Luis Obispo Country Farm
Christianson Chevrolet Oldsmobile	Slo World
CVS Pharmacy	Trader Joes
Donnas Interiors Furniture	Verizon Wireless
	Wal Mart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$2,671,098	\$2,521,329
County Pool	284,429	264,721
State Pool	1,302	2,216
Gross Receipts	\$2,956,829	\$2,788,266
Less Triple Flip*	\$(739,207)	\$(697,067)
Gross Trans. Tax	\$1,719,523	\$1,610,970

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues from the first quarter of 2010 were 1.1% higher than the same quarter one year ago. This marks the first year-over-year gain in statewide sales in two and one-half years.

For most agencies, the increase came almost exclusively from the 33% recovery in fuel prices since first quarter 2009. An early Easter also helped boost receipts from discount department stores and value priced apparel while year-end bonuses, the prior stock market rally and manufacturer incentives produced auto sales gains in some high income communities.

Geographically, the central and northern coastal areas of California did better than the rest of the state. However, the only solid across-the-board increases occurred in a few areas surrounding the technology centers of Silicon Valley.

Projections for a Tepid Recovery Continue

Statewide, declines in local sales and use tax revenues are generally thought to have "bottomed out" and expectations are for moderate gains in local allocations over the next two quarters. Rising fuel prices, stimulus rebates for energy-related purchases, inventory rebuilding by retailers and manufacturers and a temporary slump in consumer savings to satisfy pent up demand are all expected to have a positive impact on revenues.

Aggressive manufacturer incentives are also projected to improve new car sales over the next few quarters although the taxable values of the units sold will be far less than at the peak of the credit bubble when 40% of all California new car sales were financed from home equity loans which had encouraged more expensive purchases. However the increases are anticipated to taper off in the last half of the fis-

cal year as inventory rebuilding winds down and various federal stimulus and tax incentive programs are phased out. Overall year-end gains are expected to be modest except in jurisdictions benefiting from new development or specific business/retail segments.

The current consensus is that California's fiscal problems, high unemployment and a continued slump in construction activity make significant recovery in tax revenues unlikely before 2012-2013.

Local Add-On Sales Tax Measures Approved

All six proposals for sales tax add-ons were approved in June as voters continued to exhibit an openness to financing services in their immediate communities where they have more input and control.

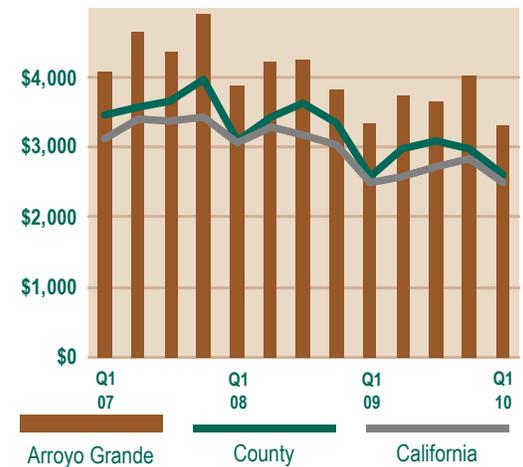
New taxes were approved in the cities of Calexico, Cathedral City, Cotati, Rohnert Park and Woodland. Davis approved continuation of an existing tax that was about to sunset.

This brings the number of agencies

with one or more "transactions tax" districts to 78 cities and 27 counties. While sales tax is collected on all purchases and allocated to where the sale is negotiated, the local "transactions tax" is collected and distributed for purchases in only the levying jurisdiction where the goods are delivered, consumed or registered.

A dozen agencies are considering similar measures for the November 2010 ballot.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q1 '10	Change	Change	Change
Discount Dept Stores	—	CONFIDENTIAL	2.1%	4.9%
Service Stations	78,333	11.5%	35.4%	28.0%
New Motor Vehicle Dealers	—	CONFIDENTIAL	5.9%	0.0%
Grocery Stores Liquor	28,386	-11.9%	-3.2%	-3.5%
Restaurants No Alcohol	27,998	-14.3%	-8.1%	-3.3%
Home Furnishings	25,606	28.1%	1.2%	-1.7%
Restaurants Liquor	22,993	3.8%	2.2%	5.0%
Family Apparel	20,816	10.1%	4.6%	13.6%
Restaurants Beer And Wine	17,356	8.2%	-8.6%	-6.0%
Drug Stores	16,546	-4.9%	-5.0%	-1.8%
Specialty Stores	15,786	5.6%	48.3%	-3.7%
Garden/Agricultural Supplies	15,462	-1.1%	-2.7%	3.6%
Lumber/Building Materials	14,872	-7.7%	-2.2%	1.6%
Electronics/Appliance Stores	13,468	18.4%	-8.5%	-6.0%
Office Supplies/Furniture	12,026	-10.3%	-9.9%	3.1%
Total All Accounts	\$571,845	0.3%	2.8%	0.8%
County & State Pool Allocation	59,922	-7.7%		
Gross Receipts	\$631,766	-0.5%		