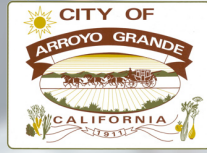


Q4
2010



Arroyo Grande Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2010)

Arroyo Grande In Brief

Receipts for Arroyo Grande's fourth quarter sales were 0.2% lower than the same quarter one year ago. Actual sales were up 4.9% when reporting aberrations were factored out.

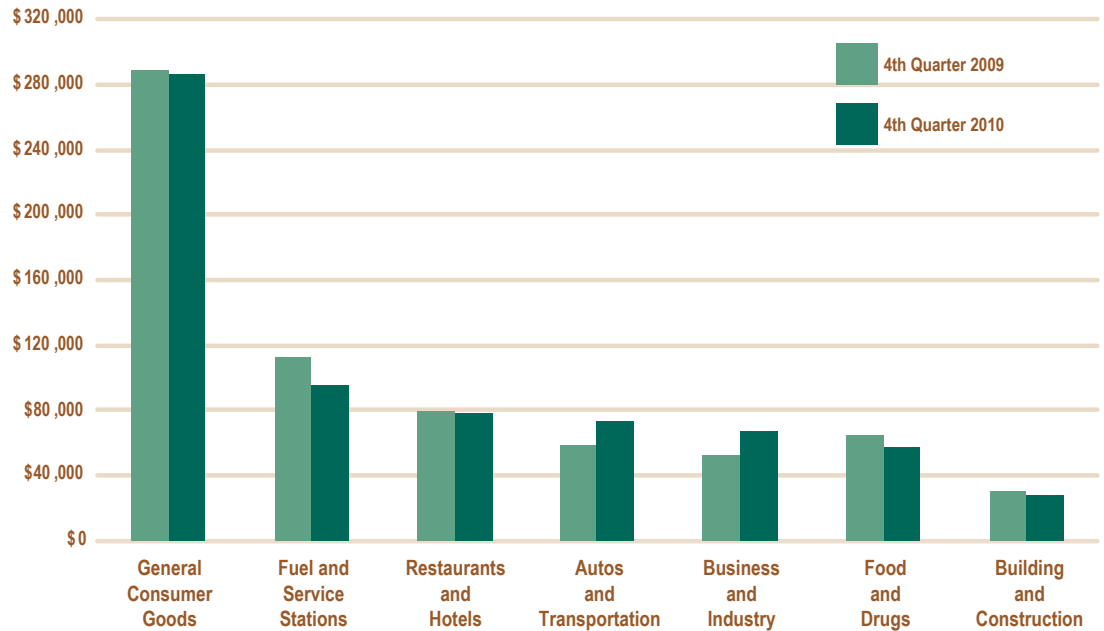
A double-up payment that temporarily inflated last year's allocation exaggerated the drop in service stations. A business closeout reduced revenues from restaurants with beer/wine.

The losses were offset by a strong sales quarter for the autos & transportation sector. A onetime payment inflated results from the business & industry group. A recent addition helped boost revenues from restaurants with no alcohol.

The city's half-cent voter approved transaction tax generated an additional \$464,114 for the quarter which was 6.9% higher than the same period one year-ago.

Adjusted for reporting aberrations, taxable sales for all of San Luis Obispo County increased 6.4% over the comparable time period while the Central Coast region, as a whole, was up 7.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware	Grand Estate Furniture
Albertsons	In N Out Burger
Aqua Systems	K Mart
Arco AM PM	Marshalls
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	Officemax
Burke & Pace Lumber Sales	Pierce Manufacturing
Chevron	Rite Aid
Chilis	San Luis Obispo Country Farm
Christianson Chevrolet Oldsmobile	Slo World
Dollar Tree	Trader Joes
Donnas Interiors Furniture	Verizon Wireless
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$1,949,485	\$2,000,212
County Pool	205,135	221,911
State Pool	1,880	1,021
Gross Receipts	\$2,156,500	\$2,223,143
Less Triple Flip*	\$(539,125)	\$(555,786)
Gross Trans. Tax	\$1,243,176	\$1,300,814

*Reimbursed from county compensation fund

Statewide Sales Increase!

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter of 2010 were 7.3% higher than the same quarter one year ago. This represents the fourth straight quarter of growth and the largest percentage increase since the third quarter of 2005.

Higher fuel prices and usage, robust sales of new autos and rebounds in restaurants and general consumer goods helped boost overall receipts. Capital purchases of business equipment and labor-saving technology were especially strong in the Bay Area and Southern California. A onetime use tax payment for alternative energy equipment added to San Joaquin Valley's pooled use tax totals. Excluding accounting aberrations the state's strongest regions were the San Joaquin Valley +12.5%, the Bay Area +7.7% and the Central Coast +7.1%.

Some Problems Remain

Although recent better than expected improvements in the state's labor markets suggest the rebound is gaining momentum, most economists believe the unemployment rate will remain in double-digits through 2012.

The large volume of unsold residential, commercial and office properties will continue to suppress new construction spending and be a drag on the economy through 2012-13. Soaring oil prices and budget cutbacks by state and local governments will have a short-term negative impact on economic growth.

Post tsunami problems in Japan are likely to cause supply shortages of autos, auto parts and various electronic components. However, the depth and duration of the impact remains unclear at this time.

Green Energy Exemptions

SB 71, which was pushed through the Legislature as one of last year's budget deals, authorizes the previously ob-

scure California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) to grant sales and use tax exemptions of state and local sales, use and transactions taxes for "green manufacturing" projects. There is no cap on the value of exemptions CAEATFA may approve but the Legislature must be notified if they exceed \$100 million annually.

Through March, CAEATFA has approved 28 projects exempting almost \$961 million in qualified property that would have generated about \$87.5 million statewide using an average tax rate of 9.1%. Local government losses are expected to exceed \$19 million.

Although approved projects are located in various areas of the state, Santa Clara and Alameda Counties have been the most impacted thus far.

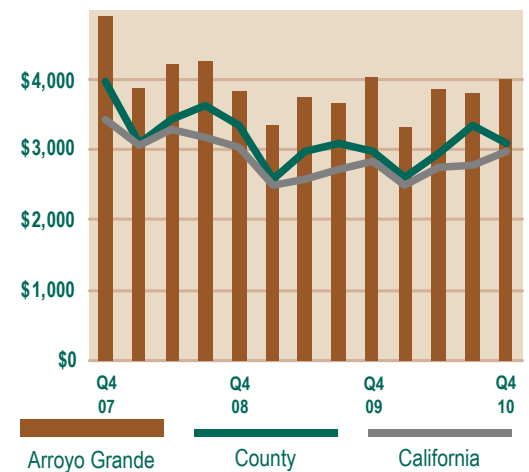
Renewable Energy Exemptions

In late February the CAEATFA Board of Directors postponed expansion of the exemption program with a proposed \$50 million sales and use tax exemption program for renewable

energy generation projects until early 2012 pending a better understanding of the state's fiscal condition. Industry lobbyists are pushing for a much larger program than CAEATFA originally planned.

Local governments will not be notified of applications that could affect their revenues. However, agenda notices can be obtained by visiting <http://www.treasurer.ca.gov/caeatfa/agenda.asp>.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q4 '10	Change	Change	Change
Automotive Supply Stores	11,185	44.5%	9.2%	11.3%
Discount Dept Stores	— CONFIDENTIAL —		1.0%	2.2%
Drug Stores	17,045	-5.2%	-2.4%	0.2%
Electronics/Appliance Stores	11,615	-17.3%	4.4%	8.8%
Family Apparel	26,628	6.5%	-3.0%	5.8%
Garden/Agricultural Supplies	17,017	5.7%	7.2%	1.1%
Grocery Stores Liquor	30,387	-2.3%	2.8%	4.7%
Home Furnishings	31,126	10.3%	3.8%	5.8%
Lumber/Building Materials	14,593	-15.6%	-8.1%	-14.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		23.1%	14.4%
Restaurants Beer And Wine	18,864	-30.3%	6.0%	-2.2%
Restaurants Liquor	20,553	-5.6%	3.2%	7.9%
Restaurants No Alcohol	36,458	24.6%	1.2%	5.5%
Service Stations	92,252	-14.1%	18.6%	13.1%
Specialty Stores	11,470	-17.6%	4.4%	7.5%
Total All Accounts	\$685,522	-0.4%	5.5%	5.8%
County & State Pool Allocation	81,303	1.6%		
Gross Receipts	\$766,826	-0.2%		