

Q2 2008



Arroyo Grande Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2008)

Arroyo Grande In Brief

Revenues from sales occurring in the April to June quarter were 9.0% lower than the same quarter last year but aberrations skewed results. Once adjusted for anomalies, actual sales declined 0.1%.

A business closeout in home furnishings added to lower returns in general retail as a whole. A new business in electronics/appliance stores partially offset this decline.

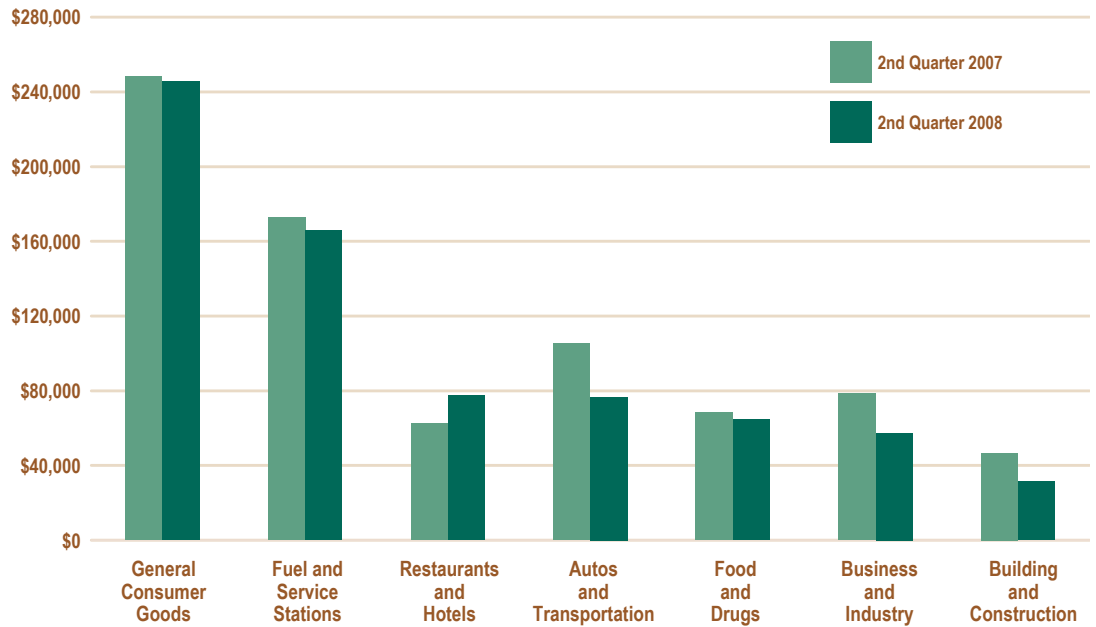
The decrease in service stations was due to a retroactive adjustment that inflated the year-ago quarter. When this deviation is removed, actual returns gained 24.7%. Sales activity slumped in auto-related sectors while onetime adjustments exaggerated the decline in the Building & Construction and Business & Industry groups.

New outlets accounted for the rise in restaurants with liquor. Temporary deviations dampened results in other restaurant sectors.

The city's half cent transaction tax generated \$487,091 for an increase of 8.7% compared to a year ago.

Adjusted for reporting aberrations, taxable sales for all of San Luis Obispo County and its cities declined 3.4% over the comparable time period while the Central Coast region as a whole was down 3.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

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

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$782,669	\$718,965
County Pool	93,757	79,260
State Pool	750	(189)
Gross Receipts	\$877,175	\$798,035
Less Triple Flip*	\$(219,294)	\$(199,509)
Gross Trans. Tax	\$448,193	\$487,091

*Reimbursed from county compensation fund

NOTES

Statewide Sales Decline Continues

After adjusting for accounting aberrations, California's taxable sales for April through June declined four percent from the same quarter of 2007.

The losses were felt throughout California although recent store openings in Yolo County and fuel-related purchases in San Francisco, San Mateo and Kern Counties allowed those specific regions to give the appearance of overall gains. Generally, the Sacramento/Stockton, Riverside/San Bernardino and Solano County areas had more severe declines than the rest of the state.

Double digit declines in auto and building-related sales continued to be the primary contributors to the decrease. Another quarter of record increases in fuel prices provided a significant offset to the losses in other business categories.

The spring sales data suggest that consumers are shopping down to lower priced goods and restaurant meals with fewer discretionary purchases. Although consumer electronics reported modest gains, the only other positive categories were discount department stores and value priced family apparel.

The News is Not Getting Better

Local agencies will not see the results of their July through September sales until the end of December. However, preliminary data from various government and trade association surveys indicate that taxable sales will continue to fall.

Auto manufacturers are reporting another quarter of double digit declines and most industry analysts are pushing their predictions for an auto sales recovery out to 2010.

Retailers of apparel and general consumer goods are reporting sluggish fall sales and disappointment in the back to school buying season which failed to live up to expectations raised by the

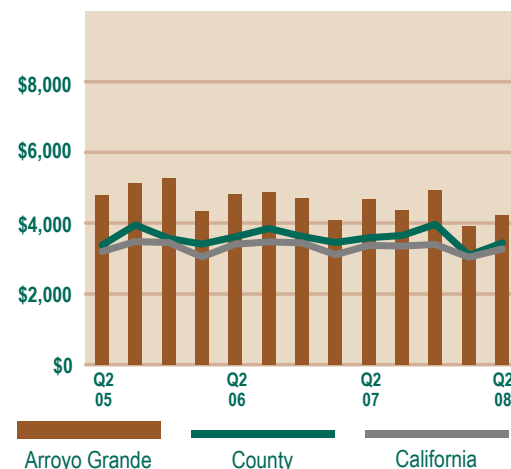
federal tax rebate stimulus. Latest predictions are for the lowest holiday spending since 1991.

Despite the federal credit rescue, liquidations of commercial real estate debt and continued housing oversupply make an immediate recovery in construction activity unlikely. Although institutional and public projects will help, a significant recovery in sales tax from building-related goods and services is not expected until after 2010.

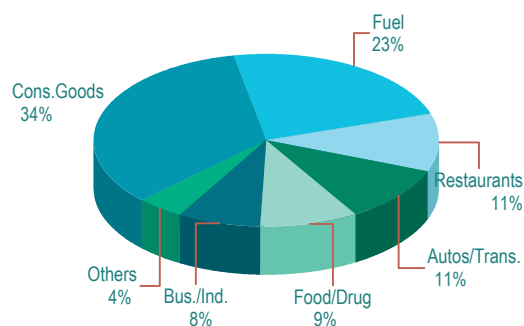
With some of California's biggest overseas markets going into recession, sales tax from business spending on capital equipment, supplies and fuel is also expected to level off. OPEC has cut production quotas to hold prices up against falling demand.

Every agency's sales tax revenues will differ with the makeup of its specific base and some agencies with new projects will be buffered from declines in other areas. However, for the state as a whole, current forecasts are for a downturn that may last through fiscal year 2009/2010.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q2 '08	Change	Change	Change
Service Stations	\$155,953	-5.7%	9.2%	18.3%
Discount Dept Stores	— CONFIDENTIAL —		2.7%	3.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-19.3%	-18.7%
Grocery Stores Liquor	34,893	-12.1%	2.3%	2.3%
Restaurants Liquor	30,997	156.3%	2.6%	3.4%
Restaurants No Alcohol	27,919	-8.3%	-10.7%	-2.6%
Lumber/Building Materials	24,194	-15.7%	-21.2%	-17.1%
Garden/Agricultural Supplies	22,473	-3.8%	14.4%	-7.0%
Home Furnishings	19,619	-35.6%	-7.9%	-14.0%
Restaurants Beer And Wine	18,427	-7.4%	-4.8%	-7.1%
Drug Stores	18,299	3.4%	-2.4%	-0.6%
Family Apparel	17,987	-2.9%	3.7%	4.9%
Specialty Stores	15,420	-17.1%	-1.2%	-2.2%
Hardware Stores	15,149	-2.4%	-0.7%	-8.6%
Office Supplies/Furniture	12,653	-18.2%	-13.7%	-7.3%
Total All Accounts	\$718,965	-8.1%	-2.3%	-1.9%
County & State Pool Allocation	79,070	-16.3%		
Gross Receipts	\$798,035	-9.0%		