

Q3 2008



Arroyo Grande Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2008)

Arroyo Grande In Brief

Third quarter receipts were 1.7% lower than one year earlier but payment aberrations skewed the data. With anomalies factored out, actual results were down 4.1%.

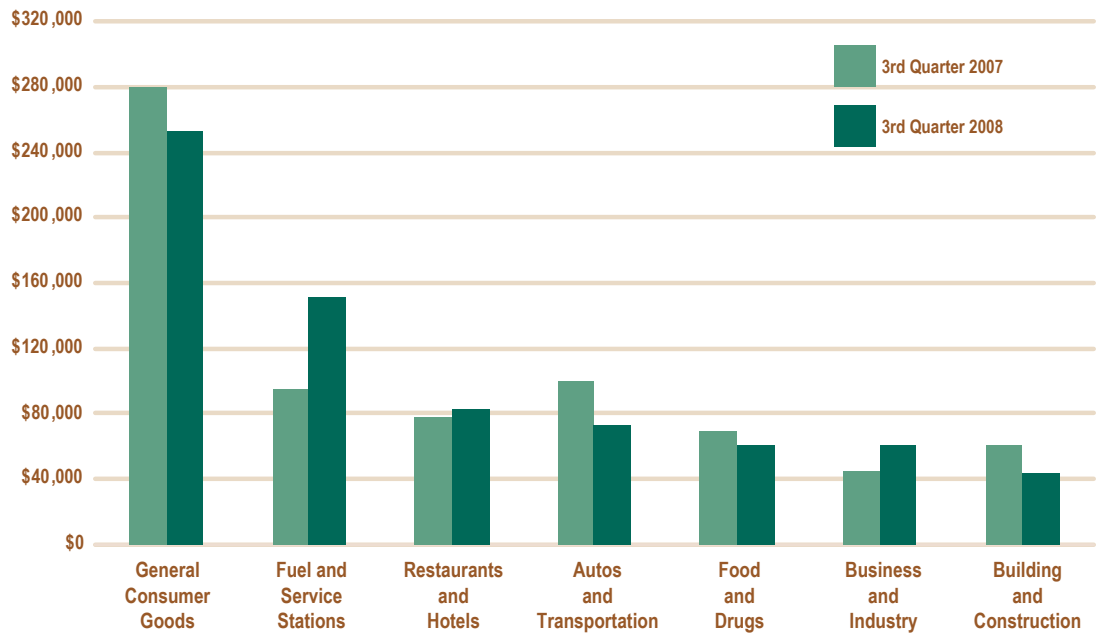
The on-going slump in new home construction coupled with a sagging economy took their toll on spending in the Autos & Transportation, Building & Construction, General Consumer Goods and Food & Drugs groups. Business closeouts contributed to drops in the home furnishings, electronics/appliance store and grocery store with liquor categories. Reporting aberrations that boosted year-ago receipts caused the negative restaurant with no alcohol comparison.

The positive news for the quarter was limited to price-driven increases at service stations, a jump in restaurant with liquor receipts due to new business additions, and a negative accounting adjustment last year that temporarily inflated results for the business services category, part of the Business & Industry group.

Revenues from voter-approved Measure "O" were 3% lower than last year.

After excluding onetime payment aberrations, the Central Coast region was down 2.1%; the state declined 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

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

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$1,513,894	\$1,445,595
County Pool	180,216	155,341
State Pool	157	427
Gross Receipts	\$1,694,267	\$1,601,362
Less Triple Flip*	\$(423,567)	\$(400,341)
Gross Trans. Tax	\$896,170	\$924,139

*Reimbursed from county compensation fund

Current Quarter - Statewide

Third quarter sales and use tax receipts declined 4.1% from the same period of 2007 once accounting aberrations were factored out.

Revenues from new car sales dropped 25.7% compared to July through September of 2007. Receipts from building materials declined 12.4%, business purchases 6.3% and general consumer goods 4.2%. Receipts from grocers, drug stores, and some categories of restaurants continued to post modest gains.

The statewide decrease was partially cushioned by one last quarter of record fuel prices. Tax receipts from petroleum related sales gained 25.3% over the third quarter of 2007 and accounted for 14% of California's total sales and use tax collections.

Continuing Declines Projected

This was the fifth consecutive quarter of decreasing statewide sales and use tax revenues. Given that the depth, length, and solution to this recession remain uncertain, local government budgeting will be the most challenging it has been in decades. Adding to the difficulty will be an expected rash of business closures as the existing glut of too much debt and too many stores and auto dealerships is sorted out.

The current consensus is that drastically lower fuel prices and the weakest holiday spending since the 1980's will make the drop in March's sales tax receipts (October through December sales) the most severe of the cycle to date. Lesser declines are likely for at least two quarters thereafter with overall revenues "bottoming out" at the end of 2009 or first quarter of 2010.

Agencies Will Fare Differently

Each jurisdiction's experience will vary with the specific makeup and character of its local tax base. The timing and benefits of an additional federal stimulus package remains unknown but cannot be expected to produce immediate

or complete recovery. As of January 1, prognostications for key segments of the state's sales tax revenues were:

Consumer Goods - With Californians already debt burdened, loosening of credit is not expected to stimulate spending to previous highs until jobs and retirement investments revive. Further declines are projected for the remainder of 2008/2009 with minimal growth in 2009/2010.

Auto Related - Credit will help but real recovery is not anticipated until 2010/2011. Severe declines are expected to continue through at least the remainder of 2008/2009.

Fuel - Even production cutbacks and Middle East unrest will not bring back last summer's peak prices. A 30% decline is expected in the last two quarters of 2008/2009 with continuing revenue reductions through mid 2009/2010.

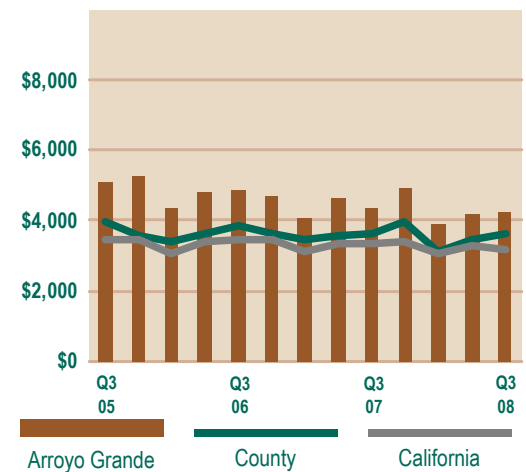
Business Spending - This usually falls and recovers later in the cycle than other segments. Declines of 5% to 10% are expected for some industrial categories during the remainder

of the fiscal year continuing through 2009/2010.

Building/Construction - Public spending is expected to boost specific tax categories by 2009/2010 but fewer housing, industrial and commercial startups make major gains unlikely.

Restaurant/Entertainment - Fast food sales should hold up but cutbacks in revenues from tourism and casual and high end restaurants are expected over the next few quarters.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q3 '08	Change	Change	Change
Discount Dept Stores	—	CONFIDENTIAL	2.9%	-0.9%
Service Stations	140,161	59.5%	18.1%	25.6%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-25.4%	-23.9%
Restaurants No Alcohol	36,395	0.2%	13.0%	6.8%
Grocery Stores Liquor	31,560	-19.0%	-3.1%	0.8%
Restaurants Liquor	23,482	86.2%	6.7%	3.4%
Lumber/Building Materials	23,017	-15.0%	-8.4%	-13.9%
Restaurants Beer And Wine	22,995	-22.8%	-1.8%	-7.1%
Garden/Agricultural Supplies	20,412	-3.4%	-14.6%	-4.3%
Home Furnishings	20,393	-36.7%	-14.4%	-15.0%
Family Apparel	19,197	-0.9%	-5.1%	0.2%
Drug Stores	18,023	2.1%	-0.7%	-0.1%
Specialty Stores	15,140	-2.3%	-1.8%	-5.8%
Hardware Stores	13,989	-2.7%	-4.9%	-6.5%
Office Supplies/Furniture	13,586	-9.8%	-16.2%	-5.3%
Total All Accounts	\$726,629	-0.6%	1.5%	-4.4%
County & State Pool Allocation	76,698	-10.7%		
Gross Receipts	\$803,327	-1.7%		