

Q3 2010



Arroyo Grande Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2010)

Arroyo Grande In Brief

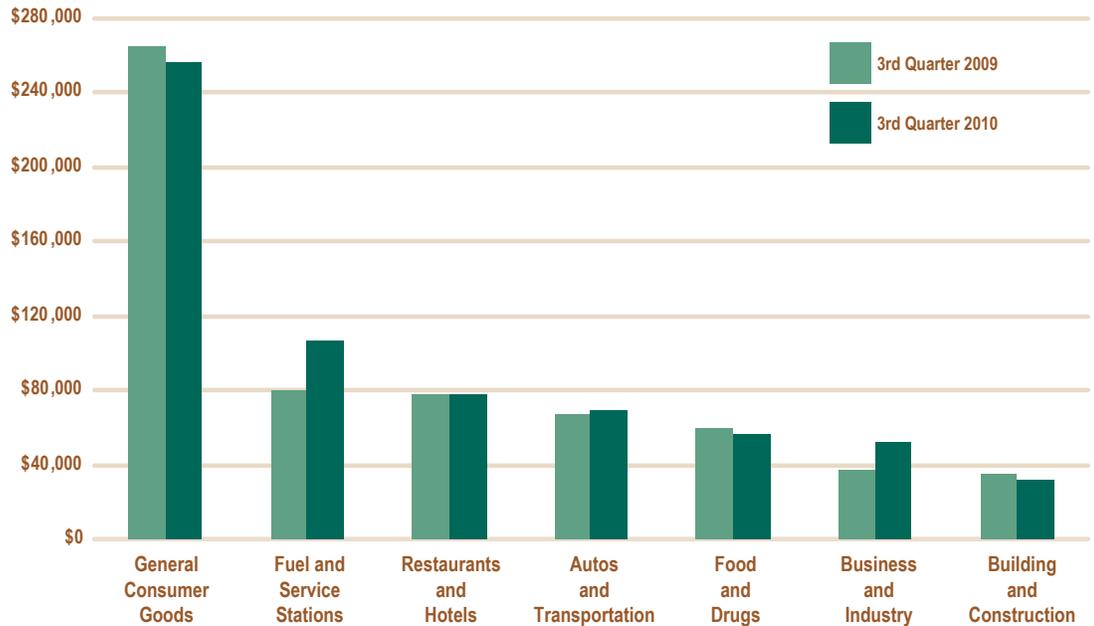
Receipts for Arroyo Grande's July through September sales were 5.0% higher than the same quarter one year ago. Actual sales activity was up 0.9% when reporting aberrations were factored out.

Although higher fuel prices and consumption helped boost receipts from the Fuel & Service Stations group, the gain was inflated by a late payment in the comparison quarter. An accounting adjustment from the business services category was a factor in the inflated increase from Business & Industry.

Receipts from Autos & Transportation were temporarily lifted by the double-up of previously late payments in the auto supply category. The decrease from General Consumer Goods was exaggerated by late and double payments in both quarters from women's apparel, electronics, and specialty stores, while gains from home furnishings and family apparel partially offset the drop. A late payment in the year ago period offset the actual decrease from the Food & Drugs group.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County increased 12.0% over the comparable time period, while the Central Coast region as a whole was up 5.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware	Gills Food Market
Albertsons	K Mart
Aqua Systems	Marshalls
Arco AM PM	McDonalds
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	Officemax
Burke & Pace Lumber Sales	Panda Express
Chevron	Rite Aid
Chilis Grill & Bar	San Luis Obispo Country Farm
Christianson Chevrolet Oldsmobile	Slo World
Dollar Tree	Trader Joes
Donnas Interiors Furniture	Verizon Wireless
	Wal Mart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$1,261,528	\$1,314,689
County Pool	125,740	140,702
State Pool	1,239	927
Gross Receipts	\$1,388,507	\$1,456,318
Less Triple Flip*	\$(347,127)	\$(364,079)
Gross Trans. Tax	\$809,008	\$836,701

*Reimbursed from county compensation fund

Statewide Overview

California's allocation of local Bradley-Burns revenues for sales occurring July through September were 4.7% higher than the third quarter of 2009 after accounting anomalies were factored out. Higher fuel prices and usage, business investment in new equipment and technology, and solid gains in some categories of consumer goods and restaurants all contributed to the increase. Receipts from food, drugs, and construction materials were slightly lower than last year's comparison quarter as was the allocation from autos which spiked during the "cash for clunkers" program of a year ago.

The Silicon Valley continues to lead the recovery with gains 2½ times higher than for California as a whole. Coastal region sales are generally outperforming the inland areas.

The Sales Tax Picture at Mid-Year

The first two quarters of 2010-11 produced statewide receipts that are 4.2% higher than the first two quarters of 2009-10 after accounting aberrations are excluded. However, the year-to-date total is still 17.2% lower than the totals for the first two quarters of pre-recession 2006-07.

Generally, prognostications for the remaining fiscal year are more upbeat than those of a few months ago and the fears of a double-dip recession have diminished. Stocks are at a two year high, preliminary data on fourth quarter business and consumer spending is better than anticipated and the recent tax-cuts and extension of unemployment benefits is hoped to boost the nation's economy by \$850 billion. In California, the growth in sales tax will be geographically uneven and tempered by high unemployment, mortgage foreclosures and fallout from the state's budget deficit.

Various segments of the sales tax base are projected as follows:

Autos/Transportation- Industry sales reports were inflated by non-taxable

fleet purchases earlier in the year but pent-up demand and easing credit are now producing solid consumer demand and new optimism. Positive gains are expected over the next few quarters but not at pre-recession growth rates.

Building/Construction- Unsold inventories, new tax exemptions for energy projects and modest public spending translate into flat or minimal tax growth for another year or more.

Business/Industry- Leaner and flush with cash, businesses are investing heavily in new technology, software and equipment. Sales tax gains will be agency and industry specific and primarily from suppliers of technology and companies serving the health, mining, petroleum and food industries.

Food/Drugs- some price increases but competition will keep tax revenues from this segment generally flat.

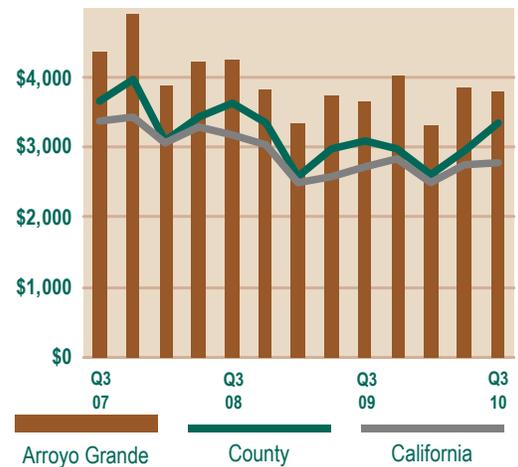
Fuel/Service Stations – Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

Consumer Goods- Stock market gains

are reviving luxury buyers while "frugality fatigue" is setting in for the rest of us. Holiday spending was stronger than expected for apparel, sporting goods, small electronics, and home furnishings. Analysts are skeptical about sustainability but generally project statewide growth of 3.0% to 3 ½%.

Restaurants/Hotels- Tourism and business travel is on the increase but price competition is expected to keep gains in sales tax revenue relatively modest.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q3 '10	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	6.2%	5.6%
Service Stations	100,930	31.7%	19.6%	12.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-1.1%	-1.7%
Restaurants No Alcohol	33,455	-0.6%	-2.2%	5.1%
Grocery Stores Liquor	30,117	-8.1%	4.8%	1.2%
Home Furnishings	29,437	3.9%	9.9%	1.3%
Restaurants Liquor	22,693	1.3%	7.6%	5.4%
Family Apparel	22,611	7.5%	12.4%	7.8%
Restaurants Beer And Wine	20,139	1.3%	-3.2%	-1.0%
Garden/Agricultural Supplies	18,991	3.3%	5.9%	9.6%
Lumber/Building Materials	17,484	-2.1%	12.7%	-4.8%
Drug Stores	16,215	-8.9%	-2.7%	-1.7%
Electronics/Appliance Stores	13,546	-11.4%	4.5%	18.3%
Hardware Stores	11,602	-14.5%	-72.7%	-72.7%
Automotive Supply Stores	11,348	32.7%	20.8%	3.7%
Total All Accounts	\$651,451	4.5%	9.1%	2.7%
County & State Pool Allocation	66,453	10.1%		
Gross Receipts	\$717,903	5.0%		